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PUBLIC HEARING

before

ASSEMBLY HOUSING AND URBAN POLICY COMMITTEE

on

ASSEMBLY BILL 2875

(Designated the "Urban Development Action Grant and Revolving
Loan Fund Act"; appropriates \$100,000,000)

Held:
December 6, 1984
Room 318
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman David C. Schwartz, Chairman
Assemblyman John S. Watson, Vice Chairman
Assemblyman Joseph Charles, Jr.
Assemblywoman Delores Cooper
Assemblyman Newton E. Miller

ALSO PRESENT:

John B. Lee
Office of Legislative Services
Aide, Assembly Housing and Urban Policy Committee

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[OFFICIAL COPY REPRINT]

ASSEMBLY, No. 2875

STATE OF NEW JERSEY

INTRODUCED NOVEMBER 19, 1984

By Assemblyman SCHWARTZ, Assemblywoman PERUN, Assemblymen KARCHER, OTLOWSKI, DEVERIN, LONG, S. ADUBATO, THOMPSON, FORTUNATO, NAPLES, Assemblywoman GARVIN, Assemblymen VILLANI, McENROE, VAINIERI, CHARLES, DORIA, CUPROWSKI, RANIERI, LaROCCA, WATSON, MUZIANI, Assemblywoman COOPER, Assemblyman PELLECCIA, Assemblywoman WALKER, Assemblymen PATERO, BROWN and BRYANT

AN ACT to establish the New Jersey Urban Development Action Grant and Revolving Loan Fund, supplementing the "New Jersey Urban Development Corporation Act," approved _____, 1984, P. L. 1984, c. _____ (C. _____ et seq.), (currently pending in the Legislature as Assembly Bill No. 1515 of 1984), and making an appropriation.

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 "New Jersey
2 Urban Development Action Grant and Revolving Loan Fund Act."

1 2. The Legislature finds, determines and declares:

2 a. In order to alleviate the present economic distress of our
3 urban centers, and to build toward a sound and prosperous future
4 for both the cities and the entire State, it is necessary that invest-
5 ments to generate economic activity, reverse current trends of
6 deterioration in public facilities and services, and of decline and
7 dispersal of productive enterprise, be encouraged in those urban
8 centers.

9 b. In present circumstances, it is essential that State policy be
10 directed to providing assistance and incentives, on a sufficient scale

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

*—Assembly committee amendments adopted December 6, 1984.

11 to have significant impact on private-sector investment decisions,
 12 that will encourage the undertaking of projects aimed at restoration
 13 of essential public services and revitalization of economic activity
 14 in economically distressed urban areas.

15 c. In its annual report of September 5, 1984, State Economic
 16 Policy Council strongly urged an assumption by the State of
 17 leadership in the stimulation of urban investment through an
 18 adequately large-scale program of financial assistance, to be
 19 managed by the proposed "New Jersey Urban Development
 20 Corporation" (which agency would be created by legislation now
 21 pending in the Legislature: Assembly Bill No. 1515 of 1984).

22 d. Accordingly, it is the purpose of this legislation to create a
 23 fund ***[from]*** which **half shall be available to** the Urban
 24 Development Corporation ***[may]*** **to** make ***[low-cost loans**
 25 **or]*** outright grants to municipalities, or to private enterprises
 26 acting in cooperation with municipalities, to enable them to under-
 27 take projects that will have immediate and significant impact in
 28 alleviating current economic distress, building toward future
 29 prosperity, and stimulating additional private-sector investment*,
 30 *and of which half shall be available to the New Jersey Economic*
 31 *Development Authority to make low-cost loans for like purposes*.*

1 3. As used in this act:

2 a. "Action project" means any work or undertaking within the
 3 description of a project as defined in the act to which this act is a
 4 supplement, which is undertaken by a qualifying municipality, or
 5 under agreement with such municipality by any individual, partner-
 6 ship, trust, association or corporation, and which conforms to the
 7 criteria, requirements and limitations set forth in sections 5, 6 and
 8 7 of this act.

9 b. "Action grant" means a grant made by the corporation out of
 10 the fund created by section 4 of this act pursuant to an application
 11 made and approved pursuant to section 8 of this act, to a munici-
 12 pality or other grantee.

13 c. "Action loan" means a loan made by the ***[corporation]***
 14 **authority** out of the fund created by section 4 of this act pursuant
 15 to an application made and approved pursuant to section 8 of this
 16 act, to a municipality or other borrower.

17 **d. "Authority" means the New Jersey Economic Development*
 18 *Authority created under the "New Jersey Economic Development*
 19 *Authority Act", P. L. 1974, c. 80 (C. 34:1B-1 et seq.).**

20 ***[d.]*** **e.** "Fund" means the Urban Development Action Grant
 21 and Revolving Loan Fund created by section 4 of this act.

22 ***[c.]*** **f.** "Corporation" or "the corporation" means the New
 23 Jersey Urban Development Corporation.

1 4. a. There is created the Urban Development Action Grant and
 2 Revolving Loan Fund, into which shall be paid:

3 (1) Funds appropriated by section 10 of this act;

4 (2) Such additional funds as the Legislature may from time to
 5 time appropriate for the purpose;

6 (3) Repayments by borrowers of action loans made by the
 7 ***[corporation]*** **or of the authority, as the case may be,** under
 7A authority of this act; and

8 (4) Any income derived from investment pursuant to subsection
 9 b. of this section.

10 b. The fund shall be in the custody and control of the State
 11 Treasurer, who may invest and reinvest any portion thereof not
 12 immediately required for the purposes of making action loans and
 13 action grants pursuant to the provisions of this act, in the manner
 14 provided by law for investment of funds in his custody, and shall
 15 make disbursements therefrom from time to time, upon certification
 16 of the corporation and warrant of the Comptroller, for the purpose
 17 of making such action loans and action grants.

18 c. Of the amount appropriated to the fund by section 10 of this
 19 act, ***[not more than]*** one-half shall be used by the ***[corpora-**
 20 **tion]*** **authority** for the making of action loans. In making
 21 action loans, the ***[corporation]*** **authority** shall structure the
 22 terms of repayment so that the borrower's payment of interest and
 23 repayment of principal shall in the course of 25 years return to the
 24 fund 200% of the original principal amount.

1 5. a. Action loans and action grants may be made to a qualifying
 2 municipality for an action project within the municipality, upon
 3 application duly made by the municipality and approved by the
 4 corporation **or by the authority, as the case may be,** pursuant to
 4A section 8 of this act.

5 b. Action loans and action grants may be made to any individual,
 6 partnership, trust, association or corporation for an action project
 7 within a qualifying municipality, upon application duly made by
 8 the individual, partnership, trust, association or corporation and
 9 approved ***[by the corporation]*** pursuant to section 8 of this act:
 9A if:

10 (1) The governing body of the qualifying municipality shall by
 11 resolution approve of the proposed action project and of the role
 12 of the applicant therein, and, in the case of an action grant,

13 (2) The applicant shall by written and binding agreement have
 14 pledged to pay over to the municipality 15% of any profits from the

15 construction, operation or sale of the action project, or any portion
 16 thereof, for a period of 10 years beginning with first whole calendar
 17 year in which the profits are realized; except that (a) the municipal
 18 governing body may by resolution waive the payment, agree to a
 19 lesser payment, or consent to a different calculation of the period
 20 over which it is to be made, and (b) the corporation may require
 21 a higher payment as a condition of making an action grant if it
 22 appears justified by the nature or prospects of the grantee's invest-
 23 ment, the extent of public funds contributed to the action project,
 24 or other relevant considerations. **For the purposes of this sub-*
 25 *section "profit" shall mean the net, before provision for income*
 26 *taxes, of a project's gross annual revenue in excess of current*
 27 *expenses and debt service incurred during the same year. Regula-*
 28 *tions adopted pursuant to section 11 of this act shall make such*
 29 *provision as may be necessary to govern the calculation of such*
 30 *profit in accordance with the terms of this subsection, and the*
 31 *manner in which such calculation shall be embodied in the written*
 32 *agreement required pursuant to this subsection.**

1 6. a. In making action grants and action loans, the corporation
 2 **or the authority, as the case may be,** shall evaluate applications
 3 therefor in light of the following criteria:

4 (1) Need, as indicated by measures of economic distress in the
 5 qualifying municipality wherein the action project is proposed,
 6 including population concentration, incidence of unemployment,
 7 underemployment and poverty, tax burden and erosion of tax base,
 8 decline of population and loss of productive enterprise relative to
 9 the State as a whole and the region in which the municipality is
 10 located, the proportion of aged and dilapidated structures and of
 11 vacant, undeveloped or underdeveloped land in the municipality.

12 (2) The potential effect of the proposed action project in elim-
 13 inating or alleviating any of the causes of economic distress.

14 (3) The essentiality of the proposed action grant or action loan
 15 to make the proposed action project feasible, due to unavailability
 16 of ***[private]*** investment **from other sources,** or its availability
 17 only on terms under which the project would be unfeasible or of
 18 such doubtful feasibility that it could not be undertaken without the
 19 grant or loan assistance applied for.

20 (4) The potential of the proposed action project, with assistance
 21 of the action grant or action loan applied for, to attract additional
 22 funding from private sources, in an ratio of at least triple the
 23 amount of the action grant or action loan.

24 (5) Adequate geographical balance in the provision of action
 25 grants and action loans throughout the State in proportion to

26 population and the incidence and severity of indices of economic
27 distress in various urban communities and regions of the State.

28 b. The foregoing criteria shall not serve as the basis of any
29 absolute ranking of priorities in the approval of applications. In
30 evaluating an application, the corporation **or the authority, as the*
31 *case may be,** shall consider all such criteria concurrently, with a
32 view to maximizing the overall economic impact of those action
33 grants and action loans which ***[it]*** shall ***[grant]*** **be granted**.
34 Criterion (4) regarding the attraction of private investment in an
35 action project shall not apply to any action project in the nature
36 of streets, roads, sewers, water supply or other public works: but
37 in lieu thereof ***[the corporation shall consider]*** the value of such
38 works in encouraging private investment in productive enterprise
38A within the municipality **shall be considered**.

39 c. In prescribing the form of application pursuant to section 8
40 of this act, the corporation **and the authority** shall design ***[its]***
41 **their** application requirements so as to elicit the most full and
42 accurate description and analysis feasible of facts relevant to these
43 criteria.

1 7. a. Not less than 15% of the funds made available for action
2 grants and **not less than 25% of the funds made available for**
3 action loans shall be used or reserved for projects in qualifying
3A municipalities with populations of less than 25,000.

4 b. Not less than 25% of the funds made available for action
5 grants and **not less than 25% of the funds made available for**
6 action loans shall be used or reserved for projects in qualified
7 municipalities located in the 10 southernmost counties; and not
8 less than 25% of such funds shall be used or reserved for projects
9 in qualifying municipalities located in the five counties next most
9A northern to those 10 counties.

10 c. No action grants or action loans shall be made for any action
11 project which involves the relocation of any industrial plant or
12 commercial facility from one municipality to another, unless the
13 corporation **or the authority, as the case may be,** finds that the
14 relocation will not significantly and adversely affect the unem-
15 ployment or economic base of the municipality from which such
16 plant or facility is relocated.

16A **d. Any builder, contractor or subcontractor engaged upon a*
17 *project within the meaning of this act, and any person, firm or*
18 *corporation managing or operating such a project shall pay the*
19 *workmen employed in the construction, reconstruction, demolition,*
20 *or rehabilitation thereof not less than the prevailing wage deter-*

21 *mined in accordance with section 15 of the act to which this act is*
22 *a supplement.**

1 8. Applications for action grants ***[and action loans]*** shall be
2 made in the manner and form prescribed by the corporation
3 **applications for action loans shall be made in the manner and form*
3A *prescribed by the authority. The applications**, and shall contain:

4 a. Documentation of the eligibility as a qualifying municipality
5 of the municipality in which the action project is proposed;

6 b. Description of the activities for which the action grant or
7 action loan is sought, including an estimate of overall costs and a
8 summary of the public and private resources expected to be made
9 available therefor;

10 c. An analysis of the economic benefits which these activities are
11 expected to produce, and an estimate of the extent to which they
12 will attract or encourage private investment in the action project
13 or in other economic activity in the municipality;

14 d. In the case of an applicant other than a municipality, a copy
15 of any agreement or agreements entered into between the munic-
16 ipality and the applicant, including any agreements or resolutions
17 pursuant to subsection f. of this section or subsection b. of section
18 5 of this act;

19 e. A satisfactory certification that the municipality in which the
20 action project is proposed has held public hearings to obtain the
21 views of citizens, particularly residents of the area in which the
22 proposed activities are to be carried out, and has analyzed the
23 impact thereof upon the residents, particularly those of low and
24 moderate income, of that area;

25 f. A satisfactory plan for assuring that of any work to be con-
26 tracted for by the applicant in connection with the project at least
27 10%, measured by estimated cost, shall be reserved for contractors
28 which are minority-owned businesses, and another 5% for con-
29 tractors which are female-owned businesses. For the purposes of
30 this subsection, "minority-owned business" or "female-owned
31 business" means an independently owned and operated business at
32 least 51% of which is owned and controlled by residents of New
33 Jersey who are, as the case may be, either (1) Black, Hispanic,
34 Portugese, Asian American, American Indian or Alaskan Natives,
35 or (2) female. No one contract may be counted toward the satisfac-
36 tion of more than one category of the reservations required by this
37 act. The corporation **and the authority** shall **each** adopt rules
38 and regulations to assure the effectual carrying out of the require-
39 ments of this subsection. The rules may provide for waiver or
40 reduction of those requirements only in cases where public sollicita-

41 tion for bids, with adequate notification to relevant minority-owned
 42 and female-owned businesses, has failed to attract responsible
 43 bidders offering reasonable bids for the work solicited.

44 g. The amount of the action grant or action loan sought, and the
 45 terms upon which it is sought.

1 9. a. Upon receipt of an application pursuant to section 8 of this
 2 act, the corporation **or the authority, as the case may be,** shall
 3 review it for conformity with the requirements of this act, and shall
 4 evaluate it in accordance with the criteria in section 6 of this act
 5 and other requirements and limitations imposed by the provisions
 6 of this act and regulations duly made and promulgated thereunder.

7 b. The corporation **or the authority** may approve an applica-
 8 tion as submitted, or it may require changes to be made or addi-
 9 tional information supplied. An application shall be approved or
 10 denied within 90 days from the date of submission, or, if the
 11 corporation **or the authority** requires changes or additional in-
 12 formation, within 90 days from the date on which the changes are
 13 agreed to or the additional information supplied by the applicant.

14 c. When the corporation **or the authority** has approved an
 15 application, it shall, subject to availability of funds, certify to the
 16 State Treasurer the amount and terms of the action loan or action
 17 grant approved, and the manner in which payment is to be made;
 18 and the State Treasurer, upon such certification and warrant of the
 19 Comptroller shall make payment to the grantee or borrower in
 20 accordance with the manner of payment certified.

1 10. There is appropriated from the General Fund to the Urban
 2 Development Action Grant and Revolving Loan Fund the sum of
 3 \$100,000,000.00.

1 11. The corporation **and the authority** shall **each** make all
 2 rules and regulations required under this act, or necessary or
 3 expedient to its effectuation, in accordance with the "Administra-
 4 tive Procedure Act," P. L. 1968, c. 410 (C. 52:14B-1 et seq.).

1 12. This act shall take effect 90 days from the date of enactment,
 2 or from the date of the enactment of the "Urban Development
 3 Corporation Act", P. L. 198 , c. (C.), (now pending
 4 before the Legislature as Assembly Bill No. 1515 of 1984) whichever
 5 is later; but the promulgation of any rules and regulations, or the
 6 making of any other administrative measures necessary to the
 7 timely and effectual carrying out of its provisions, may be done at
 8 any time after the date of enactment of this act.

ASSEMBLYMAN DAVID C. SCHWARTZ (Chairman): Good afternoon. Observing the presence of a quorum and having been informed by staff that adequate notice of this meeting has been afforded to the public and to the press in the manner prescribed by New Jersey statute, I convene this meeting of the Assembly Housing and Urban Policy Committee.

At this time, I would ask for a motion that the Assembly Housing and Urban Policy Committee recess its meeting for the purpose of convening and conducting a public hearing on Assembly Bill 2875.

ASSEMBLYMAN CHARLES: I so move.

ASSEMBLYMAN MILLER: I second the motion.

ASSEMBLYMAN SCHWARTZ: Moved by Assemblyman Charles, seconded by Assemblyman Miller. All in favor say yea. (unanimous affirmative response) The yeas have it. I now convene a public hearing on Assembly Bill 2875. Members of the Committee have Assembly Bill 2875 as the last bill in their packets. As a courtesy to members of the press and public interested in other bills, and to my legislative colleagues who may be here on other bills, following the completion of the public hearing on A-2875, it is my understanding that the Committee will reconvene as a Committee of the Legislature, more specifically of the Assembly, to consider A-2875. We will also consider other legislation on the agenda. I think most of you have a copy of the agenda, which includes A-108, Assemblyman Otlowski's bill; A-2423, Assemblyman Paterniti's bill, to which I understand there is a friendly amendment; and, A-2824, Assemblyman Doyle's bill. If time permits and there is interest, and if the sponsor and other members are available, we will consider, also, A-2722, by Assemblyman Patero, and A-2728, also by Assemblyman Patero. It is my understanding that those latter two bills may not be voted on today, but rather may be the subject of subsequent consideration by the Committee.

In recess as a Committee, and in a public hearing mode -- our hearing reporters are available -- I have witness slips on this bill from the following persons. If anyone is interested in testifying on A-2875 and I do not call your name, I would appreciate it if you would fill out a witness slip. At the moment, I have testimony to be offered

by Nelson Iglesias, from the City of East Orange, who is in favor; Mr. John B. Frohling of Frohling and Hanley, who is testifying in favor; Assemblywoman Angela L. Perun, in favor; Mayor Lawrence M. Lawson, Mayor of Neptune Township, in favor; Mr. Tony Pizzutillo, New Jersey Builders' Association, in favor; Mr. Neil DeHaan, Director of Community Development, representing Mayor Thomas Dunn, City of Elizabeth, in favor; Mr. Michael G. Cohan, New Jersey Council on Urban Economic Development, in favor; and, Mr. Donald Scarry, New Jersey Business and Industry.

At this time, I would like to welcome Mr. Neil DeHaan, Director of Community Development, representing Mayor Dunn. May I say, as Mr. DeHaan is coming to and is made welcome at our witness table, that I am informed that testimony is here and will be read into the record by staff on behalf of Senator John Lynch.

NEIL DeHAAN: Good afternoon, Mr. Chairman. My name is Neil DeHaan. I am the Director of Community Development for the City of Elizabeth. I have a prepared statement which I have circulated to the Committee. I also have extra copies for anyone in the audience who wishes to have a copy.

I thank you for the opportunity of appearing before this Committee this afternoon on behalf of our Mayor, Thomas G. Dunn, to testify on the matter of the proposed Urban Communities Action Grant Fund bill.

First of all, I am pleased to say that the City of Elizabeth supports the basic concept and most of the provisions in this proposed legislation. The City's economic development team has been patiently waiting for the State to implement this kind of a financing program.

In testimony before the Senate County and Municipal Government Committee on May 28, 1982, Mayor Dunn made two basic points in his testimony which supported the proposed urban enterprise zone concepts. I must say we are very pleased that that legislation was subsequently passed, or at least legislation was passed which implemented the concept of State enterprise zones.

At that time, Mayor Dunn and his staff made the following two points: First of all, it must be established and agreed that the

economic well-being of the State's cities is the legitimate concern of the entire State. Secondly, even with urban enterprise zones, the State must expand its ability to meet the financing needs of companies, particularly small companies. At that time we said, "The common request from companies coming to the City and our economic development agent, the Elizabeth Development Company, is a need for financing, both working capital to operate a business and debt financing for real estate and equipment." Therefore, the City was very pleased when the voters passed -- in November, 1982 -- the Community Development Bond Act of 1982. This established three funds, one of which was a \$45 million New Jersey Development Financing Fund. After waiting patiently for the program to begin, the City was informed at last May's New Jersey Urban Communities' Conference, which was sponsored by the New Jersey Department of Commerce and Economic Development, that the first funding round would be in August, 1984. To date, the funds are still not available, and applications still cannot be submitted.

We say all this to underline the urgent need to implement the Local Development Financing Fund and, also, to implement this proposed legislation as soon as possible. We believe that this new legislation will be a significant addition to the economic development tools for New Jersey's urban centers because:

Number one, it adds \$100 million to the \$45 million already committed by the State for this type of partnership financing with local companies. This commitment means that New Jersey is serious about its responsibility to economic growth in urban areas.

Number two, the proposed legislation allows for grants and loans. Grants are important because there are certain projects, such as a parking garage, and road, sewer, or sidewalk improvements, which need to be completed to stimulate private investment in particular areas. But, the return is not sufficient to pay back these kinds of costs for these very important improvements.

Furthermore, the City thinks that the two other provisions fit in very well with our experience as to effective economic development tools. Those provisions are:

Number one, we like the provision that allows the company to deal directly with the State Urban Development Corporation, with the provision that the local governing body endorses the project. This reduces the administrative burden on the City because we do not have to process applications and send them on to the State. At the same time, it provides the necessary incentives for the company to fit its plans into the City's overall economic development plan.

Number two, we think the requirement that the City participate in profits, if there is a grant to the company, is a very good one. When there are loans involved, we have found that the best mechanism to use is a negotiated interest rate. At the time when there is a loan, companies really do not like to hear about participation in profits; however, if the project requires a grant, the City's participation in profits is an excellent safeguard for the public good.

As to provisions which we think should be changed, or at least reviewed, the City points out the following: Section 8. f. may cause problems administratively. Perhaps changes that tie this legislation into existing State law and regulations on affirmative action might better meet the intent of this section.

Section 8. e. on public hearings should specify how many public hearings are required. We recommend one public hearing, and certainly no more than two.

Section 4. c., caution should be taken so that the State does not lock itself into an interest rate that may need to be changed legislatively in the future. The major attraction of these loans and their effectiveness in creating jobs and ratables in cities will be to allow below market interest rates and flexibility in negotiating an interest rate that makes a particular project viable.

Section 9. b., the 90-day approval time should be reduced to 60 days. The State should make the application and approval process as efficient as possible, so that it competes effectively with private financing mechanisms, such as the banks.

Finally, the City has many specific plans that require this kind of funding to create true public/private partnerships with local business. These plans call for new private investment in such areas as

midtown, around the new train station proposed by New Jersey Transit, on our waterfront, which is right across from Staten Island on the Arthur Kill, in our industrial parks, and around the fastest-growing airport in the nation. I don't think I need to remind anyone here that this State's Newark Airport is one-third in Elizabeth. We are now making plans to take advantage of that strategic location.

We respectfully urge this Committee, the New Jersey Legislature, and the Administration to expedite these kinds of funding programs so that the momentum in New Jersey and in Elizabeth can continue.

My last thought on this -- and we could spend perhaps the whole afternoon talking about it -- is that in light of the new uncertainty and similar Federal programs, the need for New Jersey to act quickly is obvious. I think there is a whole lot in that statement. We certainly don't know what the future will be, but I think we in New Jersey need to get our act together. I think this legislation is a great tool to use.

ASSEMBLYMAN SCHWARTZ: Thank you very much, sir. I appreciate your testimony. I wonder if the members of the Committee want to ask the witnesses to hold themselves available, and we will just go through the public testimony in order to facilitate all of the witnesses being heard. Thank you very much, Mr. DeHaan. The Committee takes due note of your views that the \$45 million in the LDFF may well be insufficient, and that adding \$100 million, especially in light of proposed Federal cuts, and in light of the impact of Federal legislation that is already law, may be necessary.

At this time, I would ask the Committee to welcome to the witness table John B. Frohling, Esq., from the City of Newark.

So that witnesses may be prepared, it is my intention to call on Assemblywoman Perun next, and then Assemblyman Thompson.

JOHN B. FROHLING: Good afternoon, Mr. Chairman, ladies, and gentlemen. I would like to introduce myself. I am John Frohling. I am bond counsel for the City of Newark. We would like the chair to permit the City Council to review the bill after this hearing for some specific comments.

I come here today on behalf of the City Council, first of all, to say thank you for the very spectacular work which was initiated by this Committee on the recently passed TIF legislation. One of the things I would like to say in favor of the present bill, A-2875, is that if that bill is any indication, or if the reaction to the TIF legislation is any indication of the wisdom of this bill-- We have been contacted by no less than 15 communities inquiring about the mechanism for initiating projects under that tax increment financing.

I don't think I can pronounce any better statement of need by the cities for the kind of help that is generated by this Committee and, ultimately, by the State government. With the absence of the Federal programs, all the great work that has been undertaken by this State and by the cities, particularly in the last 20 years, is really in jeopardy of being stopped. The inner cities -- the urban areas -- depend on the grants, the stimulus that is contemplated by this bill. According to today's newspaper, the President of the United States has announced a program to cut even further substantial amounts of money from our domestic spending. If that trend continues, the cities will not be able to continue the projects which have really succeeded in part. If you look at the City of Newark, for instance, projects which were dreams 10 and 15 years ago are realities. That is true of many other cities throughout this State. I encourage you to think about that in terms of analyzing this bill, because philosophically this is the wisest approach to development that I think this State government can enact. It is a partnership between governments. It is very similar to the Small Business Investment Corporation that was started under the Kennedy Administration with lending by the government, through the SBICs, to private enterprise, which proved to be so successful.

Rather than take more of the Committee's time, I encourage you to consider that cities like Newark want this bill; they need this bill; and, they encourage you to accelerate its passage.

Thank you very much.

ASSEMBLYMAN SCHWARTZ: Thank you. I would ask, Mr. Frohling, that you hold yourself available, if you can, for questions from the

Committee. At this time, the Committee welcomes -- speaking apparently in favor of the bill -- the Honorable Angela L. Perun, Assemblywoman from District 17.

ASSEMBLYWOMAN ANGELA L. PERUN: To show my good faith, before I start, I am submitting my request to cosponsor this bill.

ASSEMBLYMAN SCHWARTZ: The record shows you are already a cosponsor of this legislation, Assemblywoman, but we will certainly sign your slip.

ASSEMBLYWOMAN PERUN: But, doesn't it look good now, at this point, that I am giving the endorsement to it so publicly?

ASSEMBLYMAN SCHWARTZ: Indeed, we are very grateful for your support.

ASSEMBLYWOMAN PERUN: Assemblyman Schwartz, I think we have heard a great deal of the technicalities explained here today, so I do not intend to take up time with that. I do want to reiterate my support of this bill. However, near and dear to me, of course, are the towns which comprise my district, not the least of which is Plainfield, the town from which I come, which is designated as an urban area. If I may use Plainfield as an example of why this bill is so important, that is a city which is one of the most beautiful there is. However, we do have areas which are in need of this economic reinvestment approach. We have an area -- if I may be very specific and personal about this City -- that is over two acres in size, which has sat there for more than two decades barren and empty of stores, churches, and theatres which were torn down in the 1950s through the use of Federal moneys, looking to the future when there would be revitalization there.

In the meantime, since that period, we have had barren land there. What we need is an interest there, and I think we see it in this bill. I think this is the best incentive that has come down the pike to revitalize, since you are talking about revitalizing. Naturally, I am making a pitch for Plainfield.

The other thing is, we are afflicted with a very high unemployment rate. I am very happy to see that this proposal is expected to produce at least 8,000 permanent new jobs. Among the young adults in our City the number of unemployed is extremely high. We have

something like -- with young adults, especially in the summertime -- 40% unemployed. I think by infusing the City of Plainfield with the moneys that will be available from the bill that Assemblyman Schwartz has so happily introduced, and by which he has made known his great and wonderful concern for people and business-- It isn't just a people concern; it is also a business concern. You can't have a concern for one without the other. I commend him wholeheartedly for this bill and, certainly, it should have a great impact upon Plainfield. I look forward to the implementation of this bill into law. Thank you.

ASSEMBLYMAN SCHWARTZ: Thank you so much, Assemblywoman Perun. Your statements, as always, do you credit. At this time, I am going to welcome Assemblyman Thompson, who also wishes to testify. I would also like to inform future witnesses that I intend to call next Mr. Nelson Iglesias, Mr. Donald Scarry, Mayor Lawrence Lawson, and Michael Cohan, in that order. Assemblyman Thompson?

ASSEMBLYMAN EUGENE H. THOMPSON: Thank you, Mr. Chairman and members of the Committee. First of all, I would like to thank you for giving me this opportunity to say a few words. Without being redundant, I think this is a revolutionary type of legislation, which this State should have had quite some time ago. When I reread this bill, I thought about the Marshall Plan after World War II, where the United States' government built up western Europe, and even offered to build up Russia and other countries which were devastated by the Nazi regime. This should have been done a long time ago. I don't really think it is enough money, but it is a start. It would probably take about this amount of money to really show a change in a city like Camden. You would think a war had been fought there, just as in some parts of Newark, because of the devastation that has occurred. The housing stock has gone down. Some buildings are 100 years old, and people are still living in those types of housing frames. As Senator Caufield will tell you, Newark probably has the highest fire rate in the country. In fact, some people were killed last night in a fire in Newark, unfortunately.

I would like to commend you for this type of legislation. I think it is a start in the right direction. Thank you.

ASSEMBLYMAN SCHWARTZ: Thank you, Assemblyman Thompson. We appreciate your words. At this time, I welcome Mr. Nelson Iglesias of the City of East Orange to the witness table. I believe you were the first one here, sir.

NELSON IGLESIAS: That's right. First, I would like to state that the City of East Orange fully supports this bill. Of course, our comments pertain to the contents of the legislation. It seems to us that the proposed legislation is primarily, if not totally, directed toward helping private business, not public projects.

I am the City engineer and, therefore, my concerns are primarily in that direction. There seems to be no point made toward infrastructure funding for public works, such as road reconstruction, sidewalk improvements, or storm and sanitized sewers. East Orange, like many urban communities, is old, and its public facilities need constant renovating and maintenance. It is all well and good to talk about funding to improve the business conditions of cities, but without proper roadways, sewer facilities, and so on, in the end that will lead to worse problems as system facilities are overtaxed.

In East Orange, better than 6% of the City's budget is spent on public works. This amount only provides for the maintenance of existing systems. There are no funds for capital improvement projects. This forces the City to raise bonds or to request grants for this purpose. As I am sure you know, these are either not available or are extremely hard to get. I believe this bill should make funds available specifically for this purpose. The control of it, if at all possible, should be given to the cities themselves. Thank you.

ASSEMBLYMAN SCHWARTZ: Thank you, Mr. Iglesias. For the record, it should be indicated that two other bills already acted upon by this Committee -- the Urban Infrastructure Bank Act and the Urban Development Corporation Act -- are both principally directed at public works funding. You are correct that in the main these dollars could not be used solely for road reconstruction. But, I believe I am correct -- and this is by way of explanation, not by way of taking the time of the Committee with a comment -- that you would find you could do some road reconstruction and some public works financing under this

bill, if it were in association with a qualified business that was going to come in after that.

So, I would urge you to look at the bill in that way. Would you please hold yourself available? I appreciate your testimony, as does the Committee.

At this time, will Mr. Donald Scarry, Director of Research of the New Jersey Business and Industry Association come forward? Is Mayor Lawson still here? (affirmative response) You will be next, Mayor. I believe we have a statement from Mr. Scarry which will be distributed to the Committee at this time.

DONALD SCARRY: We have a very brief statement with a couple of typos in it. The New Jersey Business and Industry Association has conducted an annual economic survey every year for 26 years. In that survey we publish whether our members are optimistic, whether our members are not optimistic, whether they are going to hire, and what they are going to do. It is interesting to review the surveys from all 26 years. What is interesting to see, however, in the last three years, is that our membership in urban centers has declined dramatically. Our members in urban cities don't answer our survey, but I can't see why they don't. I think it is really that businesses are moving out of cities at a faster and faster rate. This has to be stopped. It has to be stopped not only for the cities, but it has to be stopped for the economy of the nation as a whole.

The New Jersey Business and Industry Association has been very active in terms of the Urban Development Corporation bill. We think that is an extremely important bill that ties a whole lot of things together and will provide, perhaps, an unique kind of aid to urban centers in the State of New Jersey.

Our President -- through the media and through our magazine -- has come up with his own rainy-day proposal in terms of using the surplus. I want to point out to you, as strongly as I can, that today it is raining in the cities, and not just literally. When you drive through Newark, and you drive through Camden, and you drive through other places, you see burned out buildings, you see people who are unemployed with no hope of employment, you see investment opportunities

lost, and you see young children growing up in social conditions that I don't think this society or the business community or the public sector should tolerate. It is very sad to see people have hopeless beginnings simply because there is not enough money to make their surroundings appropriate for investment and for future jobs.

It is on this basis that we strongly endorse this bill. We have strongly supported the package of bills that this Committee has dealt with in terms of tax increment financing and in terms of the Urban Development Corporation. This seems to be an extremely useful vehicle for providing extra funding, funding which is absolutely necessary because, as it says in my statement, if it is not raining in the cities today, it is going to be raining next year. The Economic Development Administration may be defunded. The Federal UDAG may be defunded. We could go on with a list of these things, and read the papers tomorrow and find new things that are being defunded.

Now, I am not saying whether that is an appropriate or an inappropriate thing to do on a national level. It is just simply happening, and we have to prepare ourselves in the State of New Jersey to go on in light of that. I think this bill does that, and I recommend some positive consideration on your part for the bill.

Thank you.

ASSEMBLYMAN SCHWARTZ: Thank you, Mr. Scarry. We would appreciate your holding yourself available.

While Mayor Lawson, Mayor of the Township of Neptune, is coming forward, the witnesses who will be heard subsequent to Mayor Lawson will be heard in the following order: Mr. Michael Cohan, Freeholder Palmer, Mr. Pizzutillo, and Mr. Nagle.

Mayor Lawson, you are welcome here.

MAYOR LAWRENCE M. LAWSON: Thank you, sir. Mr. Chairman and members of the Committee: I would first like to thank this Committee for allowing me to come forward today. I am here to speak in favor of Assembly Bill 2875, an act to establish the New Jersey Urban Development Action Grant and Revolving Loan Fund, and appropriating \$100 million for its purpose.

What I would like to do is show you some ways the Federal UDAG has assisted Neptune. The Township of Neptune has already experienced the benefits of the Federal UDAG program. We have experienced an investment of private funds of \$17,595,000 on UDAG funds of \$1,283,961. This construction has generated 233 permanent jobs and approximately 400 construction jobs. We have four projects; two are new construction and two are renovation.

The Township of Neptune has also, as part of the Federal UDAG, been able to make low-cost loans out of the funds which have been repaid to private businesses to renovate their places of business. In the Township of Neptune, approximately 10% of the land is undeveloped. Approximately 8% of that is commercial. The passage of this bill will allow us to continue our efforts to draw private investors to build new businesses and to renovate small businesses within our boundaries.

Neptune has a large population of roughly 30,000 small businesses, and it is experiencing economic difficulties. It is the intention of my administration to begin to find ways to help these people to continue in business and to expand. The funds provided by this bill will help us to accomplish this task.

I urge you to vote in favor of this bill. If this bill only does a small amount of what the Federal UDAG program has done for Neptune -- and I'm sure these funds will be slowly evaporating -- the State of New Jersey will advance economically to the advantage of all of the citizens of this State. Therefore, I urge, again, the passage of this bill. Thank you.

ASSEMBLYMAN SCHWARTZ: Thank you, Mayor. Again, I would ask that you hold yourself available. Our next witness will be Mr. Michael Cohan, President, New Jersey Council for Urban Economic Development. Welcome, Michael.

MICHAEL G. COHAN: Thank you very much for inviting me to testify before you today. As the Chairman indicated, I am testifying today on behalf of the New Jersey Council for Urban Economic Development, an organization, at this point, of over 60 professionals in the area of economic development, practitioners at the local level who are making the deals between the public and private sectors. Right now we are represented in over 40 of your urban aid municipalities.

We urge your swift and positive action on A-2875. We offer the strongest possible endorsement of the bill as a measure that will provide long-needed encouragement for private investment in our cities. A vehicle to stimulate restoration of our cities is a must if we are to preserve the strength of our older urban areas.

It is our understanding that there is an amendment in the offering -- or there will be an amendment offered -- that would appropriate or authorize a portion of the funding for immediate administration by the New Jersey Economic Development Authority.

ASSEMBLYMAN SCHWARTZ: That is correct. By way of just an informational point -- and I think the members of the Committee have this in their packets -- there is an amendment to this bill. Originally, \$100 million was going to be administered by the Urban Development Corporation. But, for the purpose of pumping these dollars out more quickly, since the Urban Development Corporation Act now pending before the Senate -- hopefully to be voted on either today or next week -- has a requirement in it that there be a one-year planning process, and since the UDAG program at the Federal level is well-known by way of its administration, there is an amendment in your packet that would have the administration of this program divided in such a way that the grants would go to EDA and could be used in the cities now-- I'm sorry, the loans would go to EDA and would be available at this time, whereas the grants would be administered by the UDC, the Urban Development Corporation, and would not be available for about 12 months.

MR. COHAN: On that amendment -- and, for all the previously-mentioned reasons, we fully agree with it -- we, at the local level, are getting a little tired. I think Neil DeHaan alluded to this before. We are getting a little tired of having voted for something back in 1981 and not seeing dime one of it in terms of any UDAG program.

In addition, in an effort to expedite the process by which a project would receive funding under this act, we would also like to recommend that the 90-day review period, or decision period, be shortened to 60 days. We feel that if Federal UDAG applications are

acted upon within the 60-day framework, the State has the capability to do so as well.

In summary, let me say that the New Jersey Council for Urban Economic Development applauds this legislative initiative to bring additional tools to New Jersey's cities which will spur their economic revival to even greater heights than we have seen in recent years. Governor Kean has identified the "decay of our urban areas" as the State's single most serious economic problem. We feel this bill will go a long way toward encouraging public and private partnerships to attack this problem.

Our Council stands ready to lend technical assistance to this Committee in any manner that this body feels necessary. I would also like to say that in the seven years I have been active as a local practitioner, I don't think there is a better Federal program than the UDAG program in terms of encouraging public and private partnerships to take place, because it provides the public sector with some really interesting negotiating materials, since you have the ability to obtain UDAG financing. I think this would encourage even more of that kind of negotiating and really good public/private partnerships. Thank you.

ASSEMBLYMAN SCHWARTZ: Thank you, Mr. Cohan. At this time, the Committee will welcome Douglas Palmer, Vice President of the Mercer County Board of Chosen Freeholders.

FREEHOLDER DOUGLAS PALMER: Good afternoon. I welcome the opportunity to testify in favor of A-2875. I have become increasingly concerned as one corporate center after another rises on U.S. Route 1 and as employment projections are increasingly targeted toward opportunities in the area adjacent to the Route 1 Corridor, in the northern part of Mercer County. I feel that our old urban centers, like the City of Trenton, of which I am a native, are being counted out as sites for private-sector enterprise.

I am here to tell you that State office buildings cannot be Trenton's only going enterprise if we are to ever revitalize this City and give all of its people a chance to work. We need a mix of employment opportunities to keep the middle-income residents in the City, and to help the low-income residents break the cycle of poverty.

We need to maintain and improve our infrastructure and public services if the City of Trenton and other cities are to be viable alternatives to the suburbs for business investment.

That is why I favor Assemblyman Schwartz's bill, which will enable economically-distressed urban areas to rebuild public facilities, restore adequate services, and allow the financing of projects that will improve economic activities in those areas. We need improvements which will encourage private-sector investment in Trenton, and which will widen the tax base in a City where the property tax burden is threatening to drive a great number of our residents out of their homes and neighborhoods. If we are ever to restore to use the almost 900 abandoned properties that now belong to the City, people must see some reason to live in Trenton and to maintain those properties. That reason will only come with economic opportunity, and a chance to live and work in a City where they and their parents have invested their lives.

However, I would like to make one suggestion with regard to the language of the bill. I speak not from a Trenton perspective alone, but as a Mercer County Freeholder who is also concerned about regional revitalization. In 6. a. (5), the bill speaks to economic distress in various urban communities and regions of the State. In 7. b., mention is made that 25% of the funds are for projects in qualified municipalities in the 10 southernmost counties, and 25% for qualifying municipalities in the five counties next most northern to those 10 counties. But, nowhere, as I read the bill, is there a provision for a county to be recognized as a qualifying entity for funding or processing. Urban blight does not stop at a city's borders. Transition areas of decay in Trenton spill over into Lawrence, Ewing, and Hamilton Townships, and cannot, in my opinion, be successfully attacked on a purely municipal basis.

In Mercer County, we have many examples of industries just outside of the borders of the City whose employees live a few blocks away in Trenton itself. The county, on the other hand, can address multi-jurisdictional issues in regional transition areas. If our aim is to reduce the encroachment of blight, then we should recognize that

counties have a part in urban and regional revitalization. To the best of my knowledge, no legislation, to date, has properly addressed the fact that decay and revitalization are, by their very nature, more widespread than the cities' borders, and might successfully be attacked at the county level. This is particularly important in Mercer County. We are not an urban county by Federal standards and, therefore, potential Federal UDAG projects outside of Trenton would be penalized. Existing and new businesses caught in this dilemma will be discouraged from reinvestment and renovation, yet those very businesses may be a few feet from the Trenton border and able to provide jobs for residents of Trenton.

The thrust of this bill is to activate projects designed to have an immediate impact on economic distress and private-sector investment. If counties were also recognized as qualifying entities, we could take advantage of the professional economic development operations in many counties that could bring ready projects to this program. Counties would have the flexibility to identify projects in neighboring municipalities in those transition areas whose impact would alleviate urban decay and blight in the adjacent urban centers which would have the urban labor force that is divided from suburban municipalities only by the lines on a map.

I urge you to consider the possibility of including counties as qualifying entities in this bill. I strongly feel that some of the best prospects for ready action and significant revitalization lie in a regional approach.

I would like to close by commending you, Assemblyman Schwartz, because I have testified in support of a number of your bills. I would also like to commend our own home Assemblyman, John Watson, for the work he is doing.

ASSEMBLYMAN SCHWARTZ: Thank you very much, Freeholder Palmer. Let me say that if, as I anticipate, we recess this public hearing and come back into existence as a Committee for the purpose of voting bills, it is my hope that this bill will be reported favorably to the Assembly. Should that happen later today, it will go to the Assembly Revenue, Finance, and Appropriations Committee. I would ask,

Freeholder, that you work with our staff -- and certainly with your own brilliant legislative member, Assemblyman Watson -- to develop an amendment that would have an urban county designation. I, as the sponsor, would entertain that amendment and, should we find satisfaction and a good designation on an urban county basis, I would move that amendment as the sponsor in the Assembly Revenue, Finance, and Appropriations Committee.

FREEHOLDER PALMER: Thank you.

ASSEMBLYMAN SCHWARTZ: I would not be able to do that here in the absence of the language. Thank you, Freeholder. May we now have Mr. Tony Pizzutillo?

ANTHONY PIZZUTILLO: Mr. Chairman, I do not have a prepared statement, but I would like to state for the record that the New Jersey Builders Association certainly supports your bill and would like to see favorable passage of it. Thank you.

ASSEMBLYMAN SCHWARTZ: Thank you very much. I believe the next witness will be the last witness on this bill. If there are others here who wish to testify, please fill out a witness slip. The Committee welcomes at this time Mr. George Nagle, Director, Office of Economic Research, Department of Commerce and Economic Development.

GEORGE NAGLE: Commissioner Putnam asked me to come today to make a few comments about A-2875. To start with the bottom line, at this time the Department feels it cannot support this legislation for very specific reasons. One of those reasons is, the Department has a Division of Urban Programs anchored by the Urban Enterprise Zone Program, or administered by that program. The same Division will administer the Local Development Financing Fund, the LDFF, an acronym that is rather difficult to remember. But, it is a UDAG-type program. This is the \$45 million UDAG program financed by the Community Development Bond Act. This program exists and regulations have been published. The application loan form-- I have an example and an instruction book right here. This program leverages private funds for long-term fixed asset financing in urban areas. The loans will be repaid to the Fund. They will be recycled to provide a permanent source of financing in the future.

How much financing is a bit uncertain at this time, but if we use the experience of UDAG, we feel we can leverage these funds sufficiently. UDAG has experienced leverages as high as \$5.00 or \$6.00 of private funds to \$1.00 of public funds. If we take a very conservative figure of \$3.00 of private to \$1.00 of LDFF, the funds that have already been appropriated, we can finance \$180 million on the first round. As these funds are repaid to the Fund, they can be recycled. We have done a cash flow analysis, and we feel we can do as much as \$400 million worth of financing over 10 years, using the funds that have already been appropriated.

Other programs that are coming down the line-- We have looked at the Urban Development Corporation very closely. We feel it is a very strong program and that it will complement the LDFF. I understand there is strong legislative backing; I understand the Administration backs this proposal and, in its amended form, it includes a \$30 million appropriation from the same bond act. Those funds will also be leveraged. This program will be a co-venture with private developers. If I use that same relatively conservative leverage ratio of three to one, this Fund will raise about \$100 million worth of financing on the first round.

So, together there are two programs coming down the line which will provide \$280 million of first-round financing, and as much as \$450 million if we use the experience ratio of the Federal UDAG program.

Coming back to A-2875, essentially that program offers or proposes two programs in one: a grant program and a loan program. Grants do not leverage private investment. The fiscal thrust is sharply reduced, yet A-2875 requires that at least half -- at least \$50 million -- will be in grants. On the other hand, the aim of that LDFF is to attract private funds which would not otherwise be forthcoming. It has taken us about two years to fine tune the LDFF. The Legislature has helped; the Administration has helped. We are very close to coming up with a program that I think will live up to its stated goals. Why? Because that kind of loan program is very much different from most government programs that are allocated on a formula basis. Neither the

State nor the public have the usual protections against the use of funds, other than the integrity of the staff, which is designing and packaging those loans. I think the LDFF has the checks and balances to ensure that no one is misdirecting the funds.

As a result of the changes made in that program, and the conversations we had with Economic Development Corporations around the State, commercial bankers, and even our own consultants, we feel that this program can be very successful and deserves immediate passage. I think we ought to give this program a chance, give it a track record. If it is successful and it turns out that that \$45 million leveraging \$180 million alone is not enough, I am sure the Department will be back here asking for additional funds to continue that program. Thank you.

ASSEMBLYMAN SCHWARTZ: Thank you very much, Mr. Nagle. Your testimony before the Committee is most welcome. Having not engaged in cross colloquy with other witnesses, I think it would be wrong to do so with you, although, for the record, I can't tell you how profoundly I disagree with that testimony.

There being no additional witnesses, I would ask the members of the Committee what their preference would be. Do you desire to question any of the witnesses, or would you like to make statements as a Committee and then go back into session for the purpose of voting out the bills? What would be the disposition of the Committee? Shall we recess this public hearing, or are there questions of the witnesses?

ASSEMBLYMAN MILLER: May we question during the regular meeting, or ask the questions during the recess?

ASSEMBLYMAN SCHWARTZ: Well, I think, because the witnesses have given testimony, if you have a question of one of the witnesses, you certainly could question during the recess; however, if you know you have a question now, why don't you put it now?

ASSEMBLYMAN MILLER: Offhand, I do not have any questions.

ASSEMBLYMAN SCHWARTZ: Are there any questions now? (no response) If not--

MR. LEE: I have some additional statements here from different mayors' offices, so I might as well get them out now.

ASSEMBLYMAN SCHWARTZ: We have a statement from Mayor Holland of Trenton. Obviously, this will be read into the record for the members of the public, so they will know there are no private communications here. Mayor Holland's letter endorses A-2875. There is a letter from Mayor DeFino of West New York supporting A-2875.

ASSEMBLYMAN CHARLES: I have one question of the last witness, Mr. Nagle.

ASSEMBLYMAN SCHWARTZ: All right, Assemblyman Charles.

ASSEMBLYMAN CHARLES: Mr. Nagle, you stated that it is your view that there should be a period of time to wait and see how the LDFF will operate, what its experience will be, etc. I believe that is what you said. You gave some dollar amounts that will be generated by the moneys you have to work with under the LDFF. My uncertainty at this point -- or my question is -- do you have any estimate, or any figure in mind as to the amount of money it would take to really do the kinds of jobs in the cities that need to be done throughout the State of New Jersey? You project a figure of about \$480 million. That projection is over a period of what, 10 years?

MR. NAGLE: The \$400 million was over 10 years.

ASSEMBLYMAN CHARLES: Over 10 years. Is it your position that \$480 million over 10 years would take care of, or substantially ameliorate the problems in the cities? Is that a sufficient amount of money?

MR. NAGLE: I have no idea. I don't know what the demand for the program would be. We have received a lot of calls of inquiry; I must admit that. I have a stack of names and telephone numbers of people who want that loan application. If it is successful, we are all 100% for it.

ASSEMBLYMAN CHARLES: But, what about any kind of work-up within your Department as to just how much money it is going to take to do the job?

MR. NAGLE: I couldn't estimate that.

ASSEMBLYMAN SCHWARTZ: Would it be fair to ask you if the program of Federal cuts announced by way of a suggestion this morning, but by the President yesterday-- Would it be fair to say that if the

President's program is enacted, New Jersey will lose three-quarters of a billion dollars in Federal aid next year?

MR. NAGLE: Those cuts are really going to have to be looked over very carefully. I think we will have to see what actually gets enacted.

ASSEMBLYMAN SCHWARTZ: Okay; thank you very much.

ASSEMBLYMAN MILLER: Mr. Nagle, are you saying by your testimony that you feel the present bills which have been passed, and which you are working with, are the same as what is being proposed here, and will accomplish the same thing?

MR. NAGLE: The concept is the same. There have been some refinements. A lot of regulations have been written to ensure that job creation is the end product of that program. But, it is a very similar program in design.

ASSEMBLYMAN MILLER: It doesn't fill any particular void then, as far as you can see.

ASSEMBLYMAN SCHWARTZ: Thank you. I have a request from Assemblyman Tom Foy to testify during this public hearing portion.

ASSEMBLYMAN THOMAS P. FOY: Thank you, Mr. Chairman. I will be brief. I appreciate the opportunity to appear before you and the distinguished members of your Committee to express my support for A-2875, the Urban Development Action Grant and Revolving Loan Fund bill.

There are several municipalities in the Seventh Legislative District which I represent that will be eligible under this particular program. My two largest municipalities are Willingboro and Pennsauken, and my smallest municipality is Beverly, which is the most economically depressed of the municipalities in my district. The program is socially progressive and financially sound. Those are the two significant components of the legislation I am concerned about.

I applaud your sponsorship and I urge the Committee to support the legislation. Thank you very much, Mr. Chairman.

ASSEMBLYMAN SCHWARTZ: At this time, I welcome to the witness table Assemblyman Robert Littell, who has also indicated an interest in testifying. I think the members of this Committee will remember Bob's intriguing legislation on neighborhood stock ownership which is before

us. We reported that bill, did we not? (affirmative response) It is now before Barbara's committee? (affirmative response) It is a fascinating piece of legislation for which you have been commended by our Committee. We welcome you, Assemblyman.

ASSEMBLYMAN ROBERT E. LITTELL: Thank you. I just came today to say that as a Republican I commend you for introducing this bill. I pledge my support of the bill. I think that the State of New Jersey needs an urban policy badly. We have a very wealthy State, a progressive State which is flourishing in many areas. We have pockets of poverty where people not only don't have jobs, but they don't have any hope of ever having a job. They don't have any hope of ever having a better life in a better community.

I think New Jersey ought to solve its urban problems. We have ignored most of them since 1967 when the riots occurred, although we did do some things in 1968 and 1969 to set the record straight. We have a long way to go, and we ought to get on with it.

ASSEMBLYMAN SCHWARTZ: Thank you very much, Assemblyman Littell. I appreciate your interest in speaking as a Republican. As you know, this bill is bipartisan. It was cosponsored. Mrs. Cooper is a cosponsor; your running mate, Assemblyman Haytaian, is a cosponsor; you are a cosponsor; and, Assemblyman Muziani is a cosponsor, as well as Speaker Karcher and 25 Democrats.

At this time I sense in the room -- or I believe I have observed in the room, Mr. Jerome Harris. Did you wish to testify, Mr. Harris?

JEROME HARRIS: Yes I did; we support the bill.

ASSEMBLYMAN SCHWARTZ: Thank you. Is there anyone else in the room interested in testifying? (no response) If not, I believe Mr. Harris will be the last witness. At that time, I will entertain a motion for us to recess the public hearing and reconvene as a Committee for the purpose of voting bills, the agenda having been distributed. I now call Mr. Jerome Harris from the City of Plainfield.

MR. HARRIS: Mr. Chairman and members of the Committee: I am here representing the Mayor of Plainfield, Richard L. Taylor. He cannot be here due to ill health.

We have reviewed the legislation and want to speak on behalf of the citizens and the Council of Plainfield to indicate that we fully support Assembly Bill 2875 as presented. There is no doubt from reading the draft of the legislation that the intent of the legislation as set forth in Paragraph 2 meets the concerns and needs of centers like Plainfield.

We have been fortunate in the past four years, having been able to take advantage of the Federal UDAG program, generating some \$5 million in private investment and generating approximately 140 jobs. Our recent experience, however, has been that with the keen national competition for the two UDAG key projects, one in our North Avenue redevelopment area, and the second in our Madison area, we have been unsuccessful in securing Federal support.

Recently, the Mayor submitted to the Governor and to the leadership of both houses of the Legislature a modest request for \$9.3 million in assistance; \$3.5 million of that in the area of economic development. This legislation provides a mechanism by which a good portion of that request could be realized in a fashion, without requiring special legislation, assuming that Plainfield could compete successfully for support.

We have a number of areas of concern, most of which reflect on what we feel would be a fairly well constructed piece of legislation. There are two concerns, however, that we would like to draw to the Committee's attention. We read with some interest the portion of the legislation that provides a requirement for certification that there will be minority and female participation totaling 25% among the projects that have successfully competed. We are concerned, however, that the provisions of the legislation do not provide a similar type of provision for a 15% and 10% set-aside for women-owned businesses and minority-owned businesses in actual competition in the complete pool of loans and grants. We think it is important in the context of our experience in developing local businesses, that one of the barriers for women- and minority-owned businesses is being able to access venture capital, if you will, as would be eligible under these particular activities. We believe the Committee should give some consideration to that.

Secondly, again from our experience, there is a real need in providing this assistance to give some packaging consideration to medium-sized loans and grants. To be sure, there are very many business opportunities that are significantly below the \$50,000 threshold. Unfortunately, the Federal program does not have any provision for responding to what they consider to be small deals. We urge that this Committee give some guidance, in anticipation of enactment of the legislation, to the Administration in terms of how you would like to see that occur.

ASSEMBLYMAN SCHWARTZ: Thank you, Mr. Harris. It is my understanding that Section 8. f. of the bill does have a strong minority- and women-owned business set-aside, but any additional language you wish to submit to this Committee, or work out with staff -- and I certainly will call on Assemblyman Watson momentarily -- would be very welcome for an amendment not heard today, Jerry, but an amendment that would be offered before Barbara's committee, before the Assembly Revenue, Finance, and Appropriations Committee.

ASSEMBLYMAN WATSON: Since we are on that subject, Mr. Chairman, I sat for many, many hours on the reinvestment bill. We also structured reinvestment similar to this piece of legislation. The problem I have with this is that we talk about minorities and females. Just for clarification of the bill, I would like to know if females are included in the 10% of the minorities. If they are included in the top 10%, and then you go down to the 5% that is also covered by this bill, you have 5% more female participation. My problem, at the time we were discussing this before, Mr. Chairman, was the fact that -- being very frank about it -- what stops a male contractor from putting 51% interest up for his female wife and controlling most of the minority set-aside? I think it has to be defined a little better than the way we have defined it here. I think we have some definition in the reinvestment bill that will clear this up. I would like us, through the Chair, to take a look at that definition.

ASSEMBLYMAN SCHWARTZ: We certainly will. Assemblyman Watson and Mr. Harris, you are both substantially correct. The language here on minority and women set-asides-- We are taking the language, in

part, from Senator Lipman's previous legislation, but you are right, Assemblyman Watson, and Mr. Harris is right, that additional language is required. Mayor Taylor called me on that subject as well. He indicated that he would like to work with staff to develop an amendment. We will definitely adopt that type of language in Assemblywoman Kalik's committee. Thank you very, very much.

At this time, if there are no additional questions, the Chair will entertain a motion to adjourn the public hearing and reconvene as an Assembly Committee for the purpose of voting the bills. (motion moved and seconded) All in favor, say yea. (unanimous affirmative response) The yeas have it. The public hearing is now adjourned.

(HEARING CONCLUDED)

APPENDIX



OFFICE OF THE MAYOR

CITY OF TRENTON, NEW JERSEY 08608

ARTHUR J. HOLLAND
MAYOR

December 6, 1984

Assemblyman John S. Watson, Vice-Chairman
Assembly Housing and Urban Policy Committee
CN 042
State House Annex
Trenton, New Jersey 08625

Dear John:

During 1984, this committee has dealt with various issues vital to our cities such as the Urban Development Corporation and the Municipal Owned Housing Rehabilitation Fund.

The New Jersey Urban Development Action Grant and Revolving Loan Fund Act, A2875, is another important piece of legislation aimed toward urban revitalization and future prosperity.

A2875 establishes a \$100,000,000 program of grants and revolving low interest loans enabling urban areas to restore and improve infrastructure and stimulate private investments. At least half of the funds shall be used for low-interest loans. With the revolving loan feature, a borrower's payments, in the course of 25 years, will return 200% of the original principal amount back to the Urban Development Corporation. There is absolutely no cost to the State while the loans will generate approximately \$300 million in private investment.

The action grant proposal in A2875 enables a municipality to share up to 15%, or of any profits from the construction operation or sale of any project for a period of 10 years in the first whole calendar year in which profits are realized by the project. Finally the Urban Communities Action Grant Fund is expected to produce approximately 8,000 jobs statewide.

I support Assemblyman David Schwartz's innovative proposal and ask all members of the committee to approve this excellent piece of legislation.

Sincerely yours,

AJH

AJH/rpg

cc: Assemblyman David C. Schwartz, Chairman
Assembly Housing and Urban Policy Committee



ANTHONY M. DE FINO

December 4, 1984

Housing and Urban Policy Committee
Office of Legislative Services
State House Annex, Room 123
Trenton, NJ 08625

Attention: John Lee

Gentlemen:

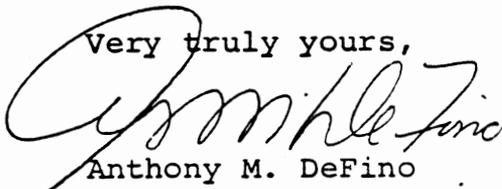
On behalf of the municipality of West New York, I wish to take this opportunity to offer to your Committee a written statement of my support on behalf of Assembly Bill 2875.

At a time when many of our urban areas are suffering from a loss of business, a decrease in ratables, an increase in the unemployment rate among its residents and the greater burden upon the middle class property owner in terms of increasing property taxes, the time has come for a coordinated and systematic urban policy.

The proposed Urban Communities Action Grant Fund Bill is such a step. This Bill and its passage by the Legislature will send a clear signal to the resident and the business community in the urban centers that the State Legislature will continue to do whatever is necessary to build strong, prosperous urban centers.

Assembly Bill 2875 will benefit our unemployed residents, our struggling businesses, our declining ratables, and our overburdened property owner. I urge you to support Assembly Bill 2875.

Very truly yours,


Anthony M. DeFino
Mayor --



"Summit City USA"
THE BOROUGH OF GLASSBORO
Gloucester County, New Jersey 08028

December 31, 1984

John B. Lee
Rm. 318 - State House Annex
Trenton, New Jersey 08625

Dear Mr. Lee:

I am very pleased to enclose testimony regarding the Urban Development Action Grant and Revolving Loan Fund Act.

We, in Glassboro, are very interested in this proposal. I certainly would hope that our Community would be included in the list of eligible communities in the State of New Jersey.

Thanking you for your kind consideration, I remain

Sincerely yours,

William L. Dalton

WLD/mew
Encl. (1)

TESTIMONY REGARDING THE NEW JERSEY

URBAN DEVELOPMENT ACTION GRANT AND REVOLVING LOAN FUND ACT

Presented by: William L. Dalton, Mayor - Glassboro, New Jersey

Date: December 10, 1984

I would like to take this opportunity to state my support for the New Jersey Urban Development Action Grant and Revolving Loan Fund Act, as sponsored by Assemblyman Schwartz. With the current climate in Washington, DC, a new and worthwhile economic development tool such as this can go a long way towards supplementing existing federal programs. I would like to include in this statement of support one or two relatively minor areas which I recommend be considered for revision.

First, I believe that this excellent economic development vehicle should include a small portion of funds to aid cities in applying for these funds. As outlined the application requirements are understandably lengthy and complex. This could, in some cases, translate into a significant expense, particularly for some of the smaller eligible communities. These small communities may have extremely good projects that cannot be filed due to a lack of funds. A small set aside of funds to help a municipality prepare the necessary application package would be extremely desirable.

Additionally, I strongly recommend and support the using of the New Jersey Development Financing Fund's (NJLDF) list of eligible cities to determine initial funding eligibility. This list, appropriately includes municipalities such as Glassboro that meet all of the urban aid level of distress criteria except population. Clearly, population is not a critical factor in this program and, therefore, it would be wrong to exclude municipalities on this criteria alone. Particular in economic development projects, where the

beneficiaries go far beyond the local boundaries in terms of employment opportunities, the implementation of population as a factor diminishes even further.

In general, this legislation appears to be well-prepared, complete, and fair-handed. I would like to thank all of the parties involved in seeing this valuable program through to implementation and hope that Glassboro will be among the first to benefit from this new NJUDAG program.

Thank you for including this statement in the official record for this bill.



GREATER CAMDEN DEVELOPMENT CORPORATION

117 N. Black Horse Pike
Blackwood, NJ 08012
(609) 228-2400

ERNEST PREVITE, President

December 12, 1984

John B. Lee, Aide
Assembly Housing and Policy Committee
Room 318
State House Annex
Trenton, NJ 08625

Dear Mr. Lee:

Enclosed please find written testimony I would like to submit for the record regarding the New Jersey Urban Development Action Grant and Revolving Loan Fund Act.

As you can see this program would be a valuable asset to overall business development in Camden County; however, there are significant shortcomings which, if corrected would increase the number of communities eligible to benefit.

Thank you for your consideration.

Sincerely,


BERNARD C. MADRACK
Executive Director

Encl.

BCM/erb

TESTIMONY REGARDING THE NEW JERSEY
URBAN DEVELOPMENT ACTION GRANT AND REVOLVING LOAN FUND ACT

Presented by: Bernard C. Madrack, Executive Director,
Greater Camden Development Corporation

Date: December 12, 1984

As Executive Director of the Greater Camden Development Corporation, I would like to express my support for the New Jersey Urban Development Action Grant and Revolving Loan Fund Act. Though I support this program in general, I am taking this opportunity to comment upon one particular aspect of the proposed program that I believe fails to encourage the best use of these funds.

The basic funding eligibility criteria, as defined, immediately disqualifies over 90% of New Jersey's municipalities from even applying. This limits the program's potential benefit, and I am therefore recommending that this screening process be eliminated in a way that will increase the success of this program. I am suggesting that funding be determined primarily on the basis of merit because a more meritorious project will produce more jobs regardless of where it is located, as employment opportunities from these projects would benefit a regional labor pool. Thus, an excellent project in a locality neighboring a distressed municipality may be of more benefit to that distressed municipality than a less desirable project located within the city's borders. Of course, all else remaining equal, I recommend an emphasis on funding

distressed municipalities to the extent possible. This would include all UDAG and Small Cities Community Development Block Grant eligible municipalities, all municipalities eligible for Urban Aid including those eligible except for population and those municipalities exhibiting distress as reflected in their listings as the State's own distress indices. The point is that the more applications that the State is willing to seriously review, the competition among applicants will be increased, allowing the State to select from the highest possible caliber of projects, reflecting the greatest benefits to the region and to the State as whole.

After a thorough review of the entire New Jersey Urban Development Action Grant and Revolving Loan Fund Act, I am pleased to express my belief that if this proposed program is enacted, it can become a useful economic development tool that could be used to great advantage in the State. As such, I wholeheartedly endorse this bill and urge its passage as soon as possible.

Thank you for placing these comments in the official record.

BOROUGH *of* PENNS GROVE

"The Gateway to South Jersey"

PENNS GROVE

P. O. BOX 527

NEW JERSEY 08069

December 18, 1984

Mr. John B. Lee, Aide
to Assembly Housing &
Policy Committee
Room 318
State House Annex
Trenton, NJ 08625

SUBJECT: New Jersey Urban Development Action Grant and Revolving Loan
Fund Act

Dear Mr. Lee:

With the ever-present threat of the demise of our federal Urban Development Action Program, the timing seems very appropriate to supplement or replace the activities of this widely respected federal program. Therefore, I strongly support the passage of the New Jersey Urban Development Action Grant and Revolving Loan Fund Act, with two minor modifications, described below.

First, it is my belief that a better formula by which loan recipients pay localities needs to be developed. The currently proposed system of 15% of the "profit" going to the locality provides an easy way for the borrower to avoid providing any funds to the locality by simply masking the net profit. Additionally, with the number of non-profit organizations and subchapter-S corporations expected to apply for funds, this non-payment of funds to a locality due to a zero or near zero profit report would be exacerbated.

A solution to the above-mentioned problem may be to use another line item, say gross-profit for example, instead of net profit, reducing the percentage accordingly, from 15% to, for example 1 or 2%. One or two percent of the gross profit may be more valuable to the municipalities than 15% of the net profit, which from a strictly accounting standpoint will often be zero. The simplest way to maximize the local benefit of this program, encouraging additional, more competitive grant and loan applications would be to follow the federal UDAG model, allowing repayments to go directly to the locality. This would eliminate the need for a percentage-of-profit formula altogether. The repayments can come with stipulations that they be used only for economic development activities or projects.

Second, in light of the fact that some distressed municipalities do not have staff or local funds to prepare application, I suggest a small amount of program funds be set aside to assist municipalities to secure professional help to prepare the application and related documentation. This set aside

Mr. John B. Lee, Aide
to Assembly Housing & Policy Committee
December 18, 1984
Page 2

will allow the small, financially distressed communities to make application under the State UDAG Programs.

Overall, as Mayor of the Borough of Penns Grove, I would like to announce my full support for this necessary and worthwhile legislative initiative and am looking forward to its enactment.

Thank you for your anticipated consideration of my recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. James', with a long horizontal flourish extending to the right.

Kenneth James
Mayor

c Assemblyman David Schwartz

I am pleased to appear before the Housing and Urban Policy Committee of the General Assembly today to announce my support for A-2875, the New Jersey Urban Development Action Grant and Revolving Loan Fund Act. This Committee, which has originated such important legislation as the merger of the Housing and Mortgage Finance Agencies, Tax Increment Financing, and the now pending Urban Development Corporation, has with today's proposed supplement to the Urban Development Corporation, once again generated another important initiative designed to help revitalize the state's cities, at a minimal cost to the state's taxpayers.

I predict that this legislation will be supported by both parties in the Legislature, and by the Governor; because this bill provides the best available opportunity to aid the cities which have not participated in what may prove to be a very short-lived economic recovery.

Speaking parochially for a moment, I am heartened to see language in the bill that will ensure that all qualifying municipalities have a fair chance to compete for this financing. As you are aware, I represent Perth Amboy, a smaller city, which has many serious economic development needs. Frequently, Perth Amboy finds itself at a competitive disadvantage in seeking declining federal UDAG dollars, because the larger cities tend to be so successful in obtaining federal funding. That the Economic Development Authority and the Urban Development Corporation will be required to consider where funds have been allocated throughout the state is an important improvement over the federal UDAG program.

From a statewide perspective this is an important step forward because this program will enable cities to become full partners in the growth of their communities, as they participate by receiving 15% of the profits from enterprises funded with action grants. This will be especially attractive to cities that are having a more difficult time attracting private investors.

However, it is important for all to recognize that the financing this bill makes available will only be available when cities are assured of substantial private investment. This will mean the leveraging of several hundreds of million of dollars of private investment in New Jersey's cities that otherwise would not have happened, and the employment of thousands who otherwise would not have been employed.

It has been the cities in New Jersey that have had to bear the brunt of national economic recessions. It is only fair that in this time of relative prosperity the state take the opportunity invest in the future of its urban centers.