



LESNIAK SEEKING \$20 MILLION BAILOUT FOR HOUSING DEVELOPMENT WHILE ATTEMPTING TO GUT STATE'S HOUSING POLICY

Senator Giveth to Favored Development with One Hand and Taketh Away from Everyone Else with the Other

June 3, 2010 – Trenton, New Jersey- Housing advocates today announced that, at the same time Sen. Raymond Lesniak proposes stopping starter homes from being built around the state through his S-1 bill, he is also attempting to redirect \$20 million from the state's housing trust fund. The state funds would bail out a risky deal by a private developer involving the renovation of apartments down the street from the Senator's home in Elizabeth.

"This is total hypocrisy," Fair Share Housing Center Associate Director Kevin D. Walsh said. "In his own backyard, Senator Lesniak wants the state to provide a \$20 million bail out to a private housing development. At the same time, he is pushing S-1, which would cut \$20 million in annual funding for urban areas in the rest of the state and make it harder to build starter homes and apartments everywhere else."

Walsh noted that the S-1 legislation being considered today by the Senate Economic Growth Committee would eliminate a \$20 million annual fund for housing renovation in urban areas around the state. S-1 would also allow exclusionary municipalities to put up new barriers to building modest homes, barriers that the Office of Legislative Services concluded would likely be thrown out by the courts. Such policies would hurt cities and first ring suburbs throughout the state, places that S-1 asks to do more than their fair share while simultaneously reducing funds available.

"The state should allocate scarce funds through a fair and competitive process like the one that Sen. Lesniak proposes to eliminate through S-1," Walsh said. "Ad hoc bailouts through earmarks from Sen. Lesniak do not constitute an effective or fair state housing policy."

In May, Sen. Lesniak introduced a bill, S-1889, that would transfer \$20 million in payments of \$5 million a year for each of the next four years from the state's Affordable Housing Trust Fund to renovations of the Oakwood Plaza Apartments down the street from Lesniak's Elizabeth home. The bill passed the Senate Economic Growth Committee, which Lesniak chairs, on May 13 and now awaits action on the floor of the Senate and in the Assembly.

In January 2009, the Union County Freeholders authorized \$20 million in bonds to renovate the apartments. (1) The proceeds of the bond went to a private developer, Community Investment Strategies (CIS). (2) The deal was structured so that if CIS didn't pay the funds back, Union County and Elizabeth taxpayers would be required to pay back the funds to the bondholders, (3) which enabled the bond to win a favorable rating from Wall Street ratings agencies based on "the county guarantee to levy ad valorem taxes to assure timely debt service payments." (4)

In March 2010, CIS lost a statewide competition for financing through the Low Income Housing Tax Credit program. (5) Sen. Lesniak introduced S-1889 shortly after.

Fair Share Housing Center calls on Sen. Lesniak to immediately withdraw S-1889 and for the

Legislature to reject both S-1889 and Sen. Lesniak's attempts through S-1 to make it harder to build starter homes and apartments throughout New Jersey.

Fair Share Housing Center, founded in 1975, is the only public interest organization devoted entirely to defending the housing rights of New Jersey's poor through implementing the Mount Laurel doctrine.

References:

(1) <http://www.unioncountynj.org/freeholders/agendas/Minutes%20-%20Reorg%20-%201-4-09.pdf> at 8.

(2) Id.

(3) Id. at 13

(4)

http://www.businesswire.com/portal/site/home/permalink/?ndmViewId=news_view&newsId=20090520006272&newsLang=en

(5) http://www.state.nj.us/dca/hmfa/biz/devel/lowinc/pdf/2010_roundone_rankings.pdf at 2 ("Heritage Village at Elmora").

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