

**\$20 MILLION IN UNION COUNTY TAXPAYER FUNDS
AT STAKE DUE TO RISKY DEVELOPMENT DEAL
*Sen. Lesniak introduces legislation aimed at bailout,
but passage questioned due to limited state fiscal resources***

June 7, 2010 – Elizabeth, New Jersey - Due to a risky development deal, Union County and Elizabeth taxpayers could be on the hook for up to \$20 million to redevelop an apartment complex down the street from Sen. Raymond Lesniak's Elizabeth home. While Sen. Lesniak is attempting to bail out the development through legislation redirecting \$20 million in state funds, that legislation has been criticized as inappropriate in a time of fiscal austerity.

"The state should allocate scarce funds through a fair and competitive process, especially in a time of limited resources," Fair Share Housing Center Associate Director Kevin D. 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.

At the same time that Sen. Lesniak is pursuing S-1889 to fund the Oakwood Plaza deal, Lesniak has pushed legislation that would slow the construction of starter homes around the state.

"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 Senate Economic Growth Committee, which Sen. Lesniak chairs, passed S-1 on Thursday without allowing any public comment or review of the bill. The bill, which is now publicly available several days after being passed, 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.

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”).