
Public Hearing

before

SENATE ECONOMIC GROWTH,
AGRICULTURE, AND TOURISM COMMITTEE
and
SENATE BUDGET AND APPROPRIATIONS COMMITTEE

SENATE BILL No. 1401 and ASSEMBLY BILL No. 2352 (1R)

(Authorizes creation of sports and entertainment district in certain municipalities)

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: July 11, 2002
10:00 a.m.

MEMBERS OF COMMITTEES PRESENT:

Senator Robert E. Littell, Co-Chair
Senator Martha W. Bark
Senator Anthony R. Bucco
Senator Barbara Buono
Senator Joseph Charles Jr.
Senator Sharpe James
Senator Walter J. Kavanaugh
Senator Bernard F. Kenny Jr.
Senator Joseph M. Kyrillos
Senator Leonard Lance
Senator Joseph Suliga

Senator Martha W. Bark, Co-Chair
Senator Raymond L. Lesniak, Co-Chair
Senator Leonard T. Connors Jr.
Senator Joseph M. Kyrillos
Senator Joseph F. Vitale



ALSO PRESENT:

Edward P. Westreich
Donald S. Margeson
*Office of Legislative Services
Committee Aides*

Laurine Purola
Rosemary Pramuk
*Senate Republican
Committee Aides*

Yolette Ross
George LeBlanc
*Senate Democratic
Committee Aides*

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

TABLE OF CONTENTS

	<u>Page</u>
George Zoffinger President and CEO New Jersey Sports and Exposition Authority	7
Carl J. Goldberg Commissioner New Jersey Sports and Exposition Authority	35
James W. Hughes, Ph.D. Dean Bloustein School of Planning and Public Policy	60
Richard Fritzky President Meadowlands Regional Chamber of Commerce	62
Assemblywoman Rose Marie Heck District 38	65
Candace L. Straight Vice Chairman New Jersey Sports and Exposition Authority	71
Barbara DeMarco Richie Lobbyist New Jersey Thoroughbred Horseman's Association	77
William T. Mullen President New Jersey State Building and Construction Trades Council	78
James P. Fox Commissioner New Jersey Department of Transportation	81
Phyllis R. Elston Private Citizen	83

TABLE OF CONTENTS (continued)

	<u>Page</u>
Kevin O'Brien President International Alliance of Theatrical State Employees Local 632	86
August Scotto Private Citizen	92
Shawn Laverty Private Citizen	93
Brett Schundler Former Mayor Jersey City	94
Keith S. Zakheim Representing Citizens Against A Newark Arena	107
APPENDIX:	
Testimony submitted by Candace L. Straight	1x
Testimony submitted by Barbara DeMarco Richie	6x
Testimony submitted by Phyllis R. Elston	20x
Testimony submitted by Keith S. Zakheim	21x
Statement submitted by Paul DiGaetano Assemblyman District 36	28x

TABLE OF CONTENTS (continued)

	<u>Page</u>
APPENDIX (continued):	
Statement submitted by Charles Wowkanech President New Jersey State AFL-CIO and Laurel Brennan Secretary/Treasurer New Jersey State AFL-CIO	35x
rs:1-113	

SENATOR RAYMOND J. LESNIAK (Co-Chair): Could everybody please take their seats? Senators.

Senator Buono, it's good to see you.

Senator Vitale.

Our meeting is going to start shortly. The Co-Chairs are on their way.

I just want to ask everyone if they could please turn off your cell phones? I'd appreciate that very much. That includes Senators.

SENATOR ROBERT E. LITTELL (Co-Chair): Good morning. This is a special joint session of the Senate Budget and Appropriations Committee and the Commerce and Agriculture Committee. We are here to take testimony today, not to vote, but to start a process which would include three public hearings, at least, and possibly more, about the future of the Meadowlands and the arena at the Meadowlands.

I will ask Senator Bark to outline the process that we ask you to follow.

SENATOR MARTHA W. BARK (Co-Chair): Good morning. Thank you all for coming to this hearing that we're happy to have today in order that we can learn more about the Meadowlands. And that is primarily going to be our focus of our testimony for today. I will be sure that you keep your remarks concise and to the point. And we will certainly be happy to see to it that we get all information at all times.

There will be two other hearings at which we will take up into consideration the other parts of this complex arena situation -- I should say, I guess, the special entertainment districts that I believe Senator Kenny's going

to address. Senator Kenny will outline his bill and probably the global aspects of that.

I certainly welcome an opportunity to have a joint session of the Senate Economic Growth Committee and the Budget Committee because this way we can kill two birds with one stone. And so it's great to have us all working together on this particular hearing.

With that, I would like Ray Lesniak -- Senator Lesniak if he has any comments.

SENATOR LESNIAK: I'd just like to introduce Senator Kenny.

Thank you very much for coming today. You're the sponsor of the bill upon which we will be evolving this concept of economic development for the region. We're glad to have you here. Please commence.

SENATOR KENNY: Thank you, Chairman Lesniak and Madam Co-Chair and Chairman Littell and members of the Committee from both Committees.

First, let me thank the Chairs for agreeing to schedule this hearing today and to the Committee members for their attendance during the summer recess. Your presence here today, following a very busy legislative session, is evidence of the importance of the issue that these committees have been asked to examine.

The bill that is before you today deals specifically with the MetroStars project in Harrison. This bill, sponsored by Speaker Albio Sires and myself, would authorize the creation of a sports and entertainment district to finance a soccer stadium as part of a larger economic development plan in the community of Harrison.

As you know, the same designation sports and entertainment district is being sought for development projects in both the city of Newark and the area we know as the Meadowlands. In order to evaluate this idea, the creation of a sports and entertainment district as a financing tool for these three development projects, it is essential to understand the underlying reason why this Legislature and other Legislatures have been asked by three different administrations to act on some version of this bill.

The Continental Airlines Arena at the Meadowlands has outlived its usefulness. The YankeeNets have affirmatively stated their strong and unequivocal desire to be located in Newark, New Jersey's largest city, and the site of an exciting renaissance. Also importantly, the use of the Meadowlands property for an arena is no longer the highest and best use of this valuable State asset.

As the sponsor of the bill before you today, I request that the Committee use these hearings as an opportunity to develop a comprehensive regional plan that will be the home to five professional major league franchises: the football Giants and Jets, the Devils and Nets, and the MetroStars. That plan should adhere to several principles which would address some of the very legitimate concerns that have been raised about the various sports and entertainment districts.

First -- and I understand that the Chairs have asked the concentration today be on the Meadowlands -- it is essential that local residents have confidence that whatever project is proposed will improve their quality of life and benefit the region as a whole. The selection process for the Meadowlands development project must include local residents and

community leaders who have struggled to maintain their quality of life and the unique character of these older, fully developed communities. They should have a role in determining the future of the region.

The Meadowlands Plan must address the transportation needs of the region. The Plan cannot, and I repeat, it cannot include a significant retail component. Local officials and businesspeople in Hudson, Bergen, and Essex County that surround the Continental Arena site believe that a large retail complex in the Meadowlands will strike a crushing blow to their Main Streets and downtowns.

Also, the Plan must produce a property tax benefit for the municipalities in Bergen and Hudson County that comprise the Meadowlands district.

Additionally, we must remain faithful to the commitment that the SED projects, which is the sports entertainment district projects, will not require State funding. In my view, the SEDs cannot rely on the use of State income tax revenue as proposed in the most recent plan to finance the Newark SED.

Recognizing the YankeeNets desire for additional assurances that the SED will produce a sufficient revenue stream to cover the debt service with respect to the \$165 million, I am committed to working with the Committee and the administration to develop an alternative.

The SED must also be limited to the dedication of the incremental sales tax revenue that will result from these projects. This concept of tax increment financing is not unique. As many as 18 other states have used tax increment financing to finance development projects. Allowing the use of

incremental sales tax will not result in the loss of State revenue. This would be revenue that would not have been generated but for the development projects. It will enable the State to promote job retention and creation in regions of the state where development is most desirable.

There are other examples in which the Legislature has used tax and fiscal policy to promote desirable business investment. Senator Kyrillos and I have sponsored a bill, the Business Employment Incentive Program, which did just that, as well as research and development tax credits.

In my county, Hudson County, businesses in Jersey City have received over \$317 million in Business Employment Incentive Program grants since the inception of that program. These are known as BEIP grants. That investment by the State is, in part, responsible for the incredible development along the Hudson County Waterfront.

In evaluating the proposals that will be presented to the Committee over the next few weeks, it is important to put the creation of these sports and entertainment districts in perspective. The underlying reason for creating these districts has been overshadowed by the high profile of the principal tenants in the new facilities and the pride that New Jersey's citizens have for the Meadowlands Complex. What has been overlooked is that the sports and entertainment districts will be, in each case, a part of a larger economic development plan and that the Continental Arena site has a higher and better use that will be more beneficial to the region and to the State.

I am pleased that the Senate leadership and the Committees here have committed to schedule additional hearings in August and September in other parts of the state. Such a process will allow for a full discussion of each

of the proposed development projects. Most importantly, the hearings will allow legislators and citizens to educate themselves about the benefits of these proposals and the policy issues that must be addressed as we move ahead over the next few months.

Thank you very much for your consideration.

SENATOR BARK: Thank you very much.

Does anyone have any questions for Senator Kenny? (no response)

I think you presented it very well.

SENATOR KENNY: Thank you.

SENATOR BARK: At this time--

Oh, I'm sorry.

SENATOR KENNY: I was hoping I would get away with that one.

And it's a member from my side.

SENATOR BUONO: Thank you, Chair.

You're reminding me, right?

I just had one question just to clarify it, and maybe it's not appropriate to ask this question at this point in time. But as part of the comprehensive regional plan that we will be developing, is it-- Do you envision that part of the development plan for the redevelopment of the Meadowlands will be conditioned upon eliminating the subsidy from the State of New Jersey? I think it's about \$50 million at this point.

SENATOR KENNY: The answer to that-- The short answer is yes, and I believe that that will be part of the discussion by the witnesses that follow me. But the answer is, yes. This legislation, when it's completed, will

hopefully reduce that debt that is a noose around the neck of the people of New Jersey. So it's a very important component of this undertaking.

SENATOR BUONO: Thank you.

And I'm also very pleased to hear that we're eliminating the income tax revenue as a portion of the repayment plan of the debt owed by the owners. That was just a-- I had a real problem with that. I think there were real constitutional issues that it raised, and I'm very pleased that that's been eliminated from the outset.

Thank you.

SENATOR BARK: Thank you very much, Senator Kenny.

Before we go on, I would like to also announce that we cannot receive testimony from that back row. You will be on the Internet, but you will not be transcribed at a later point. So if you are going to testify, you will have to testify from there.

At this time--

I guess you're getting your troops in order here.

GEORGE ZOFFINGER: Yes.

SENATOR BARK: Okay.

We have Mr. Zoffinger, Commissioner Goldberg, and--

SENATOR LESNIAK: Tony Coscia.

Madam Chair, I ask, who is he? I'm not quite sure. (laughter)

No, I know who Tony Coscia is.

SENATOR BARK: I need your title.

SENATOR LESNIAK: He's advisor extraordinaire.

SENATOR BARK: Oh, all right. We'll leave it at that.

SENATOR LESNIAK: Chairman of the Economic Development Authority.

SENATOR BARK: So, we'll start with Mr. Zoffinger.

SENATOR KAVANAUGH: Madam Chair.

SENATOR BARK: Yes.

SENATOR KAVANAUGH: During this project that we're discussing this morning, are there going to be any time limits for the speakers?

SENATOR BARK: Well, Mr. Zoffinger is laying out the proposal, so I was not going to put time limits on him. From here on in, yes. We're going to have to have time limits. We have a huge stack of people.

SENATOR KAVANAUGH: What do you propose, as far as time limits? It's easier to do it now rather than wait and try and do it during the discussion.

SENATOR BARK: Well, I think there's two things. First of all, there are people from similar areas. If you can find one person to speak for a group of people, that I would like. And I would hope that you would speak no longer than five minutes if you can get your point across in that length of time. I'll be somewhat loose on that, but not real. When you get to five minutes, I'll start getting antsy and try to figure out how we can eliminate that because we also need to have time for the Committee members to ask questions.

MR. ZOFFINGER: Thank you, Madam Chairperson and members of the Committee, Mr. Chairman, Mr. Chairman.

First of all, I'd like to thank you.

SENATOR BARK: I don't think you're mike is on. (referring to PA microphone)

MR. ZOFFINGER: Is that better?

SENATOR LESNIAK: There you go.

MR. ZOFFINGER: Okay. Thank you, Madam Chairperson and Mr. Chairman and Mr. Chairman. Thank you very much for the opportunity for us to present to you today some of the things that we have been doing at the Sports Authority and issues that relate to the remarks that Senator Kenny made prior.

I just want to tell you that I'm joined here today by Commissioner Goldberg, who is a Commissioner of the New Jersey Sports Authority, who has been appointed as chairman of the subcommittee to deal with the Newark Arena -- excuse me, the Meadowlands Redevelopment RFP, which I'll be speaking about.

I'm also joined by Ms. Barbara Lampen, who is the Senior Vice President of the Authority, and has been directly -- as head of strategic planning and is involved intimately with the process of the RFP. Anthony Coscia is here as counsel to the Authority. As you know, he's also the Chairman of the Economic Development Authority.

I'm also joined behind me by Dean Jim Hughes from the Bloustein School at Rutgers -- an economist who's going to have some brief comments; as well as Mr. Richard Fritzky, the President of the Meadowlands Chamber of Commerce, who will have some brief comments.

I'd like to begin by just saying that in the opinion of the New Jersey Sports Authority, we're at a crossroads right now between what I would describe as a potentially substantial problem or a huge opportunity.

We basically have taken the tact that we do not want this to evolve into a crisis, and we want to be well-planned in terms of how we will deal with the Meadowlands site and the issue of both the Nets and the Devils and the issue of other events as they affect the Authority.

The Continental Arena, as everybody knows, is a 26-year-old building. Despite the fantastic location and its incredible history, it continues to get older and more expensive to operate. The Arena today has a deficit operating budget of approximately \$5 million.

I think the Senators are well-aware of the steps that we have taken in terms of the management of the Authority to reduce the operating deficit at the Authority, which we, through our actions taken last week, expect will be eliminated on the operating side by our Fiscal Year 2003.

We took the steps that were necessary to eliminate approximately \$4.2 million in salary and fringe benefits among our staff, as well as approximately \$6 million in other operating expenses to try to live up to the Governor's mandate that we reduce our deficit this year from \$11 million -- this is our operating deficit -- from \$11 million to \$5 million and that we eliminate that deficit by Fiscal Year 2003.

Those are very difficult steps. They were steps that had a wide-ranging affect on many people that operate -- that were employed and operate with the Authority, but we think that they were necessary steps.

That will not alleviate-- Those steps will not alleviate the fact that, due to lease obligations that we have with the two professional sports teams, the operating deficit at the arena will continue. That deficit, as I mentioned, is approximately \$5 million per year. So despite the fact that we have a

Stanley Cup champion, that we have an NBA finals basketball team, the best concert venue in the northeast, we actually lose money on an operating basis at the current arena.

Our position at the Authority is that we need to deal with that. We need to deal with that now versus when it could become a crisis in the future.

The reason for that is that the design and the services that are provided at the Authority, even though our actual events are world-class events, does not offer the retail and other amenities that the newer arenas around the country provide today. If you compare us to new facilities in Los Angeles and Denver and Philadelphia, you'll see that the amount of revenue that can be generated, because of the design of the building and the age of the building, does not meet the needs of professional teams that operate there.

So, no matter how nostalgic we feel about the building, the business of the building doesn't work today. We have looked at other alternatives with regard to the building itself and find that the cost of bringing it up to the standard that is prevalent around the country today will be noneconomic.

So, we have a choice today of doing nothing and continuing to have a 26-year-old building that continues to lose money, that continues to get older, require more capital improvements, or we can seize an opportunity to take what, today, amounts to a parcel of land located in probably the best demographics in the entire country, consisting of 104 acres, and find the best use for that property.

The driving force that I would like all the Senators to continue -- to consider when they look at this is the fact that we, today -- I think the Senator mentioned it -- subsidize the debt service of the Authority with over \$50 million per annum. The debt of the New Jersey Sports Authority has grown to \$1 billion. And anything that we do, in terms of dealing with the repayment of that debt and the servicing of that debt, really needs to be done aggressively so that the taxpayers of the state are not put into a continuing escalation of the service of that debt.

So, the discussions that we have had, in terms of the redevelopment of this property, would be to produce incremental income to the State that would, in fact, be dedicated toward debt reduction so that, again, the taxpayers are not confronted with the continuing escalation.

If you look back only to 1991, not that long ago, a decade ago, the taxpayers only subsidized that debt to the tune of about \$9 million per year. Today, it's \$50 million.

So, we think that it is very important that we produce incremental income that can go to reducing that debt service by the State.

SENATOR LESNIAK: Excuse me. I'm sorry, Commissioner. Did you say \$50 or \$15?

MR. ZOFFINGER: Fifty.

SENATOR LESNIAK: Five, zero?

MR. ZOFFINGER: Yes.

We have, Senator, \$1 billion in debt on the various Sports Authority assets.

I might point out that, additionally, if you were to segment the debt -- and this is done internally by the Authority-- If you were to segment the debt, you would probably have about \$160 million worth of debt on the current arena, which, if I recall the figure when it was built, it was built for around \$90 million. So, we've added debt over the years that has really increased the burden.

By the way, Senators, I'm not, in my discussions with regard to the operating deficit-- I'm not even considering in those figures, the debt service figure. So the operating entity loses about \$4.5 million to \$5 million. Then we have the debt service on top of that.

That leads me to the conclusion and led our board to the conclusion and many other people to the conclusion that we need to do something. We can't sit back and do nothing. That brings me to the steps that we've taken to try and not force from the top down, but have the people that live and work in Bergen County have real input into what will happen on this property for reasons that you'll hear from many other people today.

We feel very strongly that a 104-acre site, with the demographics that are present, with the proximity to New York City, that with the right type of development, we can produce substantial incremental income that can be used for this debt reduction and servicing from this site that will be a massive benefit to the taxpayers of New Jersey.

In order to do that, to accomplish that goal, we need to have the best use for this property. We don't feel, at the Authority, that we should be telling the people that live and work in Bergen County what the best use of the property is. So, we have put together a process whereby the staff of the

Authority, commissioners from the Authority, have convened local political leaders, local business leaders, local environmentalists, local labor leaders into a process whereby we will get the most creative minds in the development community to work with us on the best use of this property.

The RFP, which we issued under a mandate by the Governor very rapidly on June 30, was a well thought out document, which I believe we've provided all the Senators a copy of, does a number of things to accomplish this goal.

The first is that we want people that respond to this RFP to have versatility in terms of what they propose. We believe that among the people that will bid on this property are the best and brightest creative minds in the development business in the entire country. We reached out nationally for people to respond. We had over 120 requests for the RFP. We took it upon ourselves to send it to an additional 150 developers throughout the country.

We think that by combining the vision of the people of Bergen County, of the people at the Authority, and with the best minds in the development business around the country, we will be able to present to the taxpayers of New Jersey a substantially viable and incrementally -- from a revenue standpoint -- an incrementally valuable development.

We've told developers that we can do this in a phased process. Obviously, if people answer the RFP and the arena is moved and the land is developed, it will have to be done in phases. We have lease obligations with the teams that continue, in the case of both teams, through the period that this development will take place. So, it's going to require a lot of work on our part

to phase in the development once it has been determined what the best use of the property might be.

We have put, in the RFP, very flexible and, I think, very creative language, to make sure that developers understand that we want their creativity to be one of the prime factors that are proposed.

We think that it invites developers to freely interpret the opportunities as they relate to transportation issues. And I know that the Commissioner of Transportation has been involved intimately with the work that we've been doing on this and will be testifying today.

We think that a number of transportation issues are very important in this process. We're dissected by Route 120. There has been a plan on the drawing boards for a number of years to move 120 and free up approximately 60 acres for development.

We think that rail is very important. We think that the type of development that will be attracted to this site will, in fact, support rail access to this site. And I think you'll hear from the Chamber of Commerce President how important that is.

I would like to, at this point, just summarize our position and try to allow other people to give you more information with regard to some of the specifics.

We have done everything that we can, including a number of meetings with local mayors, local Assembly people, local Senators. We've had tremendous cooperation from the Chamber of Commerce, who has appointed an advisory committee to the Authority that has been broken down into two subcommittees that have done a lot of work in terms of this RFP. The

Authority itself has done a considerable amount of work to make this RFP one that allows developers to be creative and to show the residents of Bergen County and the people that work there what the tremendous opportunities are for this property.

Commissioner Goldberg will be going even a step forward in his comments, talking about how we want to have a group of stakeholders work with us through the entire process in order to make sure that we're not telling people something from the State down, but we're getting something from Bergen County up.

The fact is that New Jersey deserves to have professional sports teams in the state. We need to do whatever we can do to make that viable, economically. We also have an obligation with regard to our debt, with regard to our operations to operate our Authority like business would operate. And I think we're trying to do that.

Thank you.

I'll be pleased to answer questions before Mr. Goldberg and the others--

SENATOR BARK: Thank you very much.

Senator Kavanaugh.

SENATOR KAVANAUGH: Thank you very much, Madam Chair.

Good morning, Mr. Zoffinger.

MR. ZOFFINGER: Good morning, Senator.

SENATOR KAVANAUGH: There's one thing I've heard on a few occasions in quotes that you've made regarding the age of the Arena. You use the figure 26 years.

MR. ZOFFINGER: Correct.

SENATOR KAVANAUGH: The Arena was built in '81, so that would, in my -- that would be 21 years. Is that correct?

MR. ZOFFINGER: Well, from the start, I guess-- When it was planned is what -- I guess where--

SENATOR KAVANAUGH: But the Arena was built in 19--

MR. ZOFFINGER: It's 21 years, Senator.

SENATOR KAVANAUGH: Twenty-one years.

You just mentioned before about 1990 just being a few years ago. So an arena that's 21 years old certainly isn't ancient. But I think the concern that has been expressed by the owners of the teams that use that is the suites. There's only 20-some suites in the Continental Arena, where some arenas have 100 suites, which are really the moneymakers for them. Is that correct?

MR. ZOFFINGER: Yes.

SENATOR KAVANAUGH: Now, the master plan-- You had talked about a deficit of \$4.5 million to \$5 million. That deficit is caused by the presence of the Nets and the Devils.

MR. ZOFFINGER: The lease obligations, yes, sir.

SENATOR KAVANAUGH: If we remove them from the Arena, we'd open up some 80-plus spots that we could use for other activities, concerts, and what have you.

Also, if you saw the Nets and the Devils leave, the loss of--

Did I win a prize? I get the prize on the top shelf. (referring to cell phone chimes)

What I would like to state is that instead of having a deficit with the loss of the -- or with the moving of the Nets and the Devils from the Continental Arena to another area, we then become profitable at the Continental Arena to some \$2 million. Is that correct?

MR. ZOFFINGER: That would be about the right figures.

Can I address the issue that you raised with regard to the competitiveness and tell you why the current Arena, even though it is 21 years old -- was planned 25 or 26 years ago -- why it doesn't work because it doesn't work?

SENATOR LESNIAK: I'm sorry. Commissioner, if I may, I would have to disagree with your answer because in terms of profitability, you have to include debt amortization.

MR. ZOFFINGER: Of course. I thought we were talking about operating here.

SENATOR LESNIAK: Well, I think the question was profitability. The right way to include profitability is debt amortization. And it would not be profitable.

MR. ZOFFINGER: If you included the service on \$160 million in debt, it still would be a massive loss to the State.

But if I could address, Senator, the issue of whether the Arena itself is competitive.

SENATOR KAVANAUGH: Through the Chair.

MR. ZOFFINGER: Okay. The Arena, at that age, is one of the oldest today in the country. The new arenas-- The way that the people that run the arenas make money is through concourses and points of sale for retail

operations, as well as from the signage and advertising revenue that are put into these arenas, as well as, as you well noted, the suites that are usually bought by corporations.

The Newark Arena is a single concourse-- Excuse me, the Continental Arena is a single concourse arena that, today, does not have the wide access for retail points of sale that are so necessary today to make the places competitive. If you look at the new arenas around the country, you'll find them with dual concourses, with wide points of sale, and with opportunities for signage and other things that provide the incremental revenue necessary to make them profitable. It is very difficult, today, to make an arena with the Continental Airlines Arena design a profitable entity, because you don't have those amenities.

On the issue of the profitability, the numbers that you and I have talked about here -- in fact, Senator Lesniak has pointed out -- are the operating numbers. And the opportunity to increase the operating-- One of the things that you also must consider in that evaluation is obviously the debt, but also the capital requirements to keep a facility operating efficiently. And today, the Continental Arena doesn't meet those criteria.

SENATOR KAVANAUGH: Through you, Madam Chair, you mentioned about the amenities. If the Arena had those amenities, those sales, what percentage of those sales go to the Sports Authority, and how much goes to the team?

MR. ZOFFINGER: Most of it goes to the teams under the current licensing arrangement.

SENATOR KAVANAUGH: So, the only benefit to have those amenities is for the teams that are contracted to play in the Arena. So, once again, what we're doing is playing to the teams, giving them the benefit rather than anything for the taxpayers to pay down the debt. So, there's no advantage to the Sports Authority to build something with all these new amenities when the only person it's going to be profitable for is the YankeeNets. Is that correct?

MR. ZOFFINGER: We would not be able to redesign the current Arena, if that's question, in order to put those amenities in. It's prohibitively--

SENATOR KAVANAUGH: Excuse me, Mr. Zoffinger, through you, Madam Chair, why do we want to spend the money to do these amenities when it's not going to--

SENATOR LESNIAK: We don't.

I'm sorry. Can you repeat the answer? You don't. You're not proposing that. Is that correct?

MR. ZOFFINGER: No, I'm not.

What I'm saying is that--

SENATOR KAVANAUGH: What you're saying is the teams really don't want to stay because they haven't got the amenities that they can sell their wears to give them more profits, whereas we, as the Sports Authority, the owner of the building-- The only thing we are-- We're supplying a roof over their heads and incurring debt to the State of New Jersey to make them more profitable.

MR. ZOFFINGER: But if we do nothing, Senator, we will never have the ability to generate revenue necessary to service the debt, to keep up with the capital requirements, and to be profitable at that facility.

SENATOR KAVANAUGH: You told me, and you admitted that if the Nets and the Devils left, the current \$4.5 million or \$5 million operating loss would turn into a \$1 million to \$2 million operating profit. You said that's correct.

MR. ZOFFINGER: From an operating standpoint, that's correct.

SENATOR KAVANAUGH: So, why in the world do we need the Nets and Devils to be in our building when we're losing millions of dollars?

MR. ZOFFINGER: I mean, at the end of the day--

SENATOR KAVANAUGH: You've been in this business three months. Your background as a businessman is fine. But you really can't say, and it's not a demeaning thing-- You really can't say that you're an expert in operating a sports arena. This is something-- You've had 90 days on the job. The way that used to work during the war-- They had 90-day wonders that were coming through. You may be a 90-day wonder, but I just want to know why this proposal is not acceptable to the majority of us, as far as spending all this money and receiving nothing in return.

MR. ZOFFINGER: Senator, if you do nothing--

SENATOR LESNIAK: President, if I may.

MR. ZOFFINGER: Yes.

SENATOR LESNIAK: You are not the first President, Executive Chief, CEO of the Sports Authority. There have been many who have gone before you, all very competent and qualified people under both Republican and

Democratic administrations. This Arena has continued to lose money. The debt continues to be increased.

And, Senator, with all due respect, you keep on forgetting the fact that there is a \$50 million amortization of the debt that is incurred every single year. And every single year that is not being taken care, the debt goes deeper and deeper and deeper, not to mention the minor capital improvements, just in terms of maintenance, that have to get done that add to the debt, as well.

If we do nothing, this will continue to be an albatross around the taxpayers of the State of New Jersey. It is not the highest and best use of the property. And we're not suggesting that this arena be retrofitted on behalf of the teams there.

Is that, correct, Commissioner?

MR. ZOFFINGER: No, I mean, that's very correct.

You have to remember, this-- I might not be there for very long, but I've been in the real estate business my whole career, and, in fact, when you take a look at the cost of this asset with the debt of this asset, with the capital improvements that are required to maintain this asset, you will continue to have massive deficits unless we do something. And retrofitting is just not possible because of the cost of that. And the greater return would be nonexistent.

SENATOR KAVANAUGH: Madam Chair, through you, could you answer that? How do you propose to pay off the existing debt? And if we had a new arena in Newark, how do you plan on paying off that debt?

MR. ZOFFINGER: Okay. I think that's-- The crux of my comments are to that very point. We have 104 acres worth of property that

will produce some incremental value to us. That land is valuable either through its development rights, through a development that takes place there. But that will produce actual dollars for us. What we're saying is we can take those incremental dollars, and we could then use that money to repay the debt. That's why an SED for the Meadowlands is a very smart thing to do.

We believe, and I hate to just throw out figures because we're going to see when the people answer the RFP-- But we believe that if we had just a piece of property that we could -- 104 acres in Bergen County with the demographics that are there -- that we could produce, for the State of New Jersey, a significant amount of dollars, both from the development, as well as from the business activity that will take place on that site. If we use those dollars to repay the debt, the taxpayers in New Jersey will get out from underneath this burden, and we'll all be better off.

With regard to the Newark Arena, the property that the Newark Arena is proposed on today is not producing near the amount of revenue that it could produce with a new facility like this. And we would be able to keep the teams in which, by the way, even though--

SENATOR BARK: Mr. Zoffinger, may I ask you to stay on the Meadowlands, please. This is what we advertised. I've let you a little leeway on that issue, but the question--

MR. ZOFFINGER: Okay. You're right. Thank you.

But, again, a little enthusiastic about it.

SENATOR BARK: My thought here, perhaps to answer Senator Kavanaugh's questions more in detail-- I'm one of those people that need to see it in writing. Could you put your figures and so forth--

MR. ZOFFINGER: Yes, we will.

SENATOR BARK: --the answers to his questions to the Chair, and we will disperse that to all Senators. And I think that we could them maybe move on.

Senator Kavanaugh, do you have other questions?

MR. ZOFFINGER: We'd be pleased to do that.

SENATOR KAVANAUGH: No, I think, in fairness, I'd like to let some of the other members-- I don't like to take up that much time. You know I always feel time is of the essence. So I've had sufficient--

SENATOR BARK: Thank you.

Senator Vitale.

SENATOR VITALE: Thank you, Madam Chairwoman.

Good morning, Mr. Zoffinger.

First, I want to thank you for coming, but also congratulate you on your being able to reduce your operating expenses with some smart business moves. And the taxpayers appreciate it, as well.

This was, I felt, a little bit on the burden of property. With respect to any potential -- on that 104-acre site. I know that you've issued the RFPs. Can you share with us, if you're able, at least what the vision is of your organization or -- which I'm hoping (indiscernible) to attract. We've heard talk about an entertainment destination project or others, and I know that a shopping center -- I think -- share that the same belief that a shopping center would not make sense there. Bergen County is well-stocked with shopping centers.

Can you share with us a little bit about what potentially may be located on that site?

MR. ZOFFINGER: Yes, thank you.

In our RFP, what we've tried to do is be as flexible as possible with regard to the potential for this property. And we will have responses from people that are in the retail business, such as the Mills Corporation. I think everybody is aware of the proposed development of Mills on the Empire Track just north of our property. We have extreme interest from NASCAR that is interested in the property.

By the way, I'm not proposing any of these. I'm just going to tell you the kind of things that have been talked to us about.

We think that an entertainment district that might include something like a Universal City would be a decent possibility. We think that combinations for development on 104 acres-- There are a lot of things that could be done in terms of both commercial, as well as entertainment-type uses.

We're very aggressively promoting to the movie industry, for example. The possibility of having a facility here -- because many more movies are being made on the East Coast today as opposed to the West Coast -- has become very expensive. And there are very few facilities. There's probably only Chelsea Peers and Silvercup over in Brooklyn that -- where actual movies can be produced. So that's a possibility.

We think that we'll hear from a lot more creative developers in terms of that potential. We're not ruling anything out at this point, although a lot of people have a lot of opinions as to what they want to see or don't want to see on the property. We believe that's something that the stakeholders

committee, with the people that live and work in Bergen County, should have input into.

SENATOR VITALE: Just in terms of the value of the property and whatever project is developed there -- that the residents of Bergen County will realize-- And I don't know the answer to this. Maybe you can help me with it. In terms of property tax revenue, that's currently being generated on that site as opposed to what might potentially be generated with the new project, whether it's an entertainment destination or Universal Studio--

MR. ZOFFINGER: Well, of course, we're State-owned, and we do make payments in lieu of property taxes. But we feel that there could be substantial increases through the right kind of economic development.

I could try to put some numbers together with regard to that if you'd like.

SENATOR VITALE: Are there any projections, just in terms of employment opportunities? Now, I'm sure you know -- on average -- I only speak from what the employment numbers are in that facility whether it's Devils, Nets, concerts, whatever, as opposed to any future project, again, another entertainment destination? Are there any projections?

MR. ZOFFINGER: We feel very strongly that this development could be an economic engine for this area that would increase employment. A good portion, obviously, of the employment that we create there, in addition to the high-paid salaries of the teams and some of the people that promote the rock concerts and things, are not that great in terms of the dollar values because a lot of our employees are part-time admission clerks, ushers, and things like that.

We think that real development on this property will create much better jobs, would create more jobs, and again, could be an economic engine for this region.

SENATOR VITALE: Thank you.

SENATOR LESNIAK: By the way, excuse me for calling you Commissioner. I remembered, in your days -- as Commerce--

MR. ZOFFINGER: In my old days.

SENATOR LESNIAK: Mr. President.

MR. ZOFFINGER: I've been called worse, Senator.

SENATOR LESNIAK: Isn't it a fact that the RFQ that went out asked the respondents to also include in their response the economic impact not only on the site itself, but on the region?

MR. ZOFFINGER: Right. And I think the Chamber of Commerce President and the Rutgers economist that will follow me will talk to those two points. But you're absolutely right.

And also, the financial viability of the developer-- We have made some-- If you see-- In the RFP, you'll find that we have made the substantial requirements for the developer to produce financial information on their own viability.

SENATOR BARK: Thank you.

Senator Bucco.

SENATOR BUCCO: Thank you, Madam Chair.

Good morning, Mr. President.

MR. ZOFFINGER: Good morning.

SENATOR BUCCO: I believe in '94 and '98, the Authority, at that time, had commissioned for a master plan for that area.

MR. ZOFFINGER: Right.

SENATOR BUCCO: Are you familiar with that at all?

MR. ZOFFINGER: Yes.

SENATOR BUCCO: Maybe you can give us a-- Just tell us a little bit about that.

MR. ZOFFINGER: Over the years, Senator, there have been a lot of what I'll call planning activities and master planning activities for the site. We have, additionally, a lot of constraints with regard to the site. We have legislation that enacts -- the statute that enacts that Authority -- has specific things in it. We have lease obligations with the Giants and the Jets that affect the property.

What we've tried to do is to take those master planning activities, as well as the other work that has been done by a number of different administrations over the years, and use them as the basis for our RFP, and we'll be having a conference with developers on Monday of next week, as well as the 23rd to talk about the kinds of things that we would like to see and have people respond to.

But what I've tried to do in the process is not to be too limiting on it so that I haven't basically said, "Well, we have this master plan. Only adhere to that. I'd like to see some creativity in terms of what people envision here.

SENATOR BUCCO: Well, in that master plan, was there any reference to a rail link coming into the site?

MR. ZOFFINGER: We think it is extremely important that rail be -- come into the site. The issue with rail is that in order to make the rail economically feasible, we need to have more development on the site than we presently have today.

I've had meetings with the Transportation Commissioner, and he, perhaps, will speak to this today with the new head of New Jersey Transit. Rail would be a very important consideration for the development of this site. We've left it very flexible in the RFP so that developers can give us their ideas of the needs for rail. But the answer, directly to your question, is that in order to make this the most potential, rail is very important.

SENATOR BUCCO: So then rail is still in the mix on this whole thing.

MR. ZOFFINGER: Yes.

SENATOR BUCCO: Okay. And also, did we ever think about building a new arena onsite somewhere -- on the Meadowlands site, not necessarily at the Arena site, but on the Meadowlands site -- building it and then imploding the old arena?

MR. ZOFFINGER: There have been discussions with regard to that in the past.

SENATOR BUCCO: Is it feasible?

MR. ZOFFINGER: I don't know what I want to say today about the economic viability of that.

SENATOR BUCCO: Has it been looked into, the economic viability of that?

MR. ZOFFINGER: There have been discussions. I don't know if it went so far as to do any cost estimates and things like that, but there have been discussions with regard to whether that was viable.

I think the answer, Senator, from my perspective would be that this 104 acres could be-- If we were going to do some redevelopment there, this 104 acres would be much more valuable doing it the way that we're proceeding because it will generate a lot more in terms of incremental tax dollars and incremental economic activity with a better use.

SENATOR BUCCO: Okay. You talk about the RFP that you went out for. And I understand the *Star-Ledger* had an article where the administration had already offered the arena site for the Mills Corporation. Is that correct?

MR. ZOFFINGER: No, that's not correct at all.

SENATOR LESNIAK: That's factually not correct.

MR. ZOFFINGER: Senator, I've been very, very cautious with regard to not even having discussions with anybody that's going to be composing something here. And we certainly have not had those kinds of discussions at all, I can tell you.

SENATOR BUCCO: I'm pleased to hear that.

Just getting back to the alternate arena being built at the site. If you have any -- or if there have been studies done, through the Chair, if you can get those studies to us on the economic feasibility of that.

SENATOR LESNIAK: Mr. President, if I can answer that, as well--

There's nothing that restricts a developer from proposing an alternate arena. Isn't that correct?

MR. ZOFFINGER: No, there's nothing there. We've left it-- By the way, we've left it so that the developer that comes in here could propose to keep the existing arena and make it a convention center or do something else with it.

The big issue though, Senator, will become whether we have the proper tenants for a new arena, if we were to do it, and what we would have to do. I personally believe that the State is much better off being out of this business and letting the teams take on the risk of operating these kinds of facilities in the future. I just think that's a better way for us to go.

SENATOR BUCCO: Having the teams pay for them?

MR. ZOFFINGER: Yes.

SENATOR BUCCO: All capital expenditures?

MR. ZOFFINGER: Well, Senator, don't try to trap me.

(laughter)

SENATOR BUCCO: I'm not trying to trap you, Mr. President.

SENATOR LESNIAK: Well, the economic activity developed by the teams.

SENATOR BUCCO: You made a statement that you felt the teams should provide the facilities.

MR. ZOFFINGER: I believe that we should not be subsidizing wealthy team owners with regard to these things. I don't think that the other

proposal you'll be discussing in your other Committee meetings does that. I think we've protected the taxpayers.

SENATOR BUCCO: Mr. Chairman, there's just one thing I wanted to clarify. When I asked about any type of studies from the master plans that were done in '94 and '98 -- if there was any economic feasibility studies done on that--

If you have that, I would like to have that, through the Chair.

MR. ZOFFINGER: We will have that for you.

SENATOR BUCCO: How much revenue is generated out of the Arena per year? Does anyone have an idea?

MR. ZOFFINGER: Gross revenues?

SENATOR BUCCO: Gross revenue.

MR. ZOFFINGER: I'm being told it's about \$180 gross.

SENATOR BUCCO: One hundred, eighty--

MR. ZOFFINGER: Million.

SENATOR BUCCO: --million gross revenue.

MR. ZOFFINGER: That sounds high to me, but I'll have to check it.

SENATOR BUCCO: Out of that \$180 million gross, how much comes to the State Treasury?

MR. ZOFFINGER: Well, we obviously get sales tax on every ticket sold. So that, right there, is whatever the sales tax is on every ticket that is sold. We also get tax on the concessions. I believe there's sales tax on the parking. And I think that the number is something in the \$8 million to \$10 million range.

Tony, is that about right?

UNIDENTIFIED SPEAKER FROM AUDIENCE: That's correct.

MR. ZOFFINGER: It's about that.

SENATOR BARK: If I may, here again, could you send us your revenues?

MR. ZOFFINGER: Yes. I will get the specifics on-- You want it on the individual building?

SENATOR BUCCO: Yes, on the arena building.

MR. ZOFFINGER: See, because it's not-- And I don't mean -- but I'll give it to you. There's other revenues that come in. For example, the Giants and the Jets park on that spot. So the revenues for some of that -- that tax revenues from some of that is there. I'll get those figures for you.

SENATOR BUCCO: That's what I would like to know, what the net amount coming to the State of New Jersey is on a yearly basis.

MR. ZOFFINGER: Would you want us to include in that the salaries of the players and the people that work there?

SENATOR BUCCO: Well, that's not coming to the State of New Jersey, the salary is coming--

MR. ZOFFINGER: Well, the salary is the income tax that's paid by the players. It's a substantial benefit to the state because, as you know, the payrolls are significant for the two teams--

SENATOR BUCCO: Absolutely.

MR. ZOFFINGER: --and also for the performers that perform there.

SENATOR BUCCO: Okay. Thank you.

That's all I have right now, Mr. Chairman.

SENATOR LESNIAK: Madam Chair, if may add to that.

Senator Bucco asked for the net amounts. That would also include the money that the State has to subsidize to pay the debt and cover the operating expenses.

MR. ZOFFINGER: I'll try to put together a complete financial picture with regard to this arena.

SENATOR BUCCO: Thank you.

SENATOR BARK: Thank you very much.

Senator Kyrillos.

SENATOR KYRILLOS: Thank you very much, Madam Chair.

Let me put on the table local input. A lot has been said, and a lot of plans have been contemplated. A lot has been discussed in this town and in the press and whatnot about the future of the current Meadowlands site. And I know that I have a lot of good friends in Bergen County that have a lot of anxiety about all this. And they haven't been brought into the process. There hasn't been any real opportunity for consensus to emerge. So I was intrigued with Commissioner Goldberg's comments that I saw in the *Star-Ledger* yesterday about some working group of sorts -- some advisory group of sorts. I want to know if it's a real committee. Is it something that is going to be meaningful? And what is being done to reach out for the people that live in Bergen County?

Commissioner Goldberg, I know you had something to say about it yesterday. If it's appropriate, I'd like you to expand on it.

MR. ZOFFINGER: Senator Goldberg -- oh, Senator-- (laughter)

Commissioner Goldberg is going to talk about it.

SENATOR BUCCO: You just gave him a demotion, you know that?

MR. ZOFFINGER: But if you take a look at the RFP, Senator, on Page-- It outlines the advisory--

SENATOR LESNIAK: Senator Kyrillos, I would join you in asking Commissioner Goldberg to respond to that.

MR. ZOFFINGER: Would it be appropriate for him to give you his thing?

SENATOR BARK: Absolutely, it would be.

SENATOR KYRILLOS: Senator, is it a promotion or a demotion to be calling him Senator? I'm not sure. (laughter)

CARL J. GOLDBERG: Madam Chairwoman, Mr. Chairman, Mr. Chairman, I'm going to speak directly about the RFP process in attempt to respond to Senator Kyrillos's question, as well.

One of the major priorities within the three critical phases of the RFP process has been, and will continue to be, a commitment to the stakeholders in the Meadowlands region. This RFP process must be inclusive in order to be successful.

In addition to reaching out to individuals in the region and across the state to hear their opinions, we have pursued several formal avenues that I will discuss in the next few minutes that we believe have resulted in a detailed understanding of the local issues that the Authority must address during the RFP process.

But even before the RFP was written, and the RFP was written over the last eight to ten weeks-- But even before the RFP was written, we were sensitive and guided by the many master plans of the neighboring towns. We studied the infrastructure and transportation improvements that have been initiatives for that region over the last couple of years so that we could understand how they fit into the perspective redevelopment of the Continental Arena sites.

We held meetings with elected and appointed local officials and with other stakeholders to learn their concerns and, most importantly, to invite them into a process that begins today.

We followed those meetings by convening two committees through the auspices of the Meadowlands Chamber of Commerce to solicit their members for local expertise.

We solicited reaction from the Chamber of Commerce group on our drafts of the RFP as we went through several iterations of those drafts before the final product that you have in front of you was delivered.

And finally, we convened, on June 21, a meeting of the local and regional elected and appointed officials to review our work and the process that got us to the final RFP and to have them appreciate our goals for the reuse of the site.

Today, we are pleased to announce the formation of a stakeholders advisory group which will extend the Sports Authority's commitment to community input. The stakeholders advisory group will analyze responses to the RFP with the impact on the constituent communities that will be affected by the proposed redevelopment.

This is the single, most important distinction that we believe makes the Sports Authority's RFP for the Continental Arena site unique and successful.

But just as important as the stakeholders advisory group to one of the questions that was previously asked by one of the Senators, the RFP also requires the respondents to focus very directly on the economic impact of their proposed mix of land use. And I think Senator Lesniak spoke to that a few minutes ago. But if you read the RFP, you will see at the most initial phase of the RFP, potential respondents are required -- are mandated to come up with a thorough economic analysis of their proposed mix of land uses so that the stakeholders advisory group, from day one, will appreciate the potential economic impacts to the Bergen County region of the various proposals that are being presented for the redevelopment of the arena site.

The creation of the stakeholders advisory group, we believe, delivers a message. And that is that the Sports Authority will be responsive to a broad agenda that balances the interests of the State as a whole with the interest of the local communities.

We appreciate that it will not be possible to make every constituent happy, but it is possible, and it will be possible for everyone to be heard. Everybody's voice will be included in the process.

I think the composition of the stakeholders advisory group, which I'm going to talk about now, reflects the Authority's commitment to generating the broadest possible input that will ultimately drive the success of this RFP process because it is inclusive, and it does respect the wishes of the adjacent communities.

The stakeholders advisory group will include two local mayors, two local business people, two local legislators, an environmental expert, a representative of organized labor, and a transportation expert. The names are being finalized currently and will be released later this afternoon so that the participants in the stakeholders advisory group will be available to participate at the proposal bidders' conference that begins on Monday, July 15, the initial day of the RFP process.

As I said, the first official forum for the stakeholders advisory group is on Monday at our bidders' conference. And everyone in the stakeholders advisory group will be invited to participate that day.

I think one of the things that Mr. Zoffinger said a few minutes ago is critical. As many of you may know, I am a real estate developer with 27 years in the real estate development business. And I can tell you, from my perspective, the 104 acres that constitutes the current Continental Arena site is one of the single, most valuable parcels of land on the eastern seaboard; one that is sure to generate a tremendous amount of excitement by the private sector -- will look to come forward to the Authority with the broadest range of possible land uses.

If properly redeveloped, this site cannot only become an economic engine for Bergen County specifically, but I believe for the State as a whole. The site is that valuable, and the highest and best use of that site can be that compelling.

SENATOR BARK: Thank you very much.

Senator Kyrillos, does that answer your question?

SENATOR KYRILLOS: Well, I think it's a very good start. I'm heartened that the Commissioner mentions that these names will be forthcoming, and they're going to be forthcoming this afternoon he says.

I know that we're all hopeful that they're indeed representative, and that they'll cut across all party lines and cut across business sectors and across the community. Make sure it's very representative of the people that have a stake.

COMMISSIONER GOLDBERG: It will.

SENATOR KYRILLOS: I hope so.

Thank you very much, Commissioner.

SENATOR BARK: Thank you.

Senator Buono.

SENATOR BUONO: Good morning, Mr. President, Commissioner Goldberg, Mr. Coscia. I must say that I'm nearly blinded by the brilliance of this panel. Seriously, we're all very lucky that we have you here. To intimate that the talent before us is anything less than the best and exemplary, I think, is ludicrous.

I would like to add to Senator Vitale's commending President Zoffinger for helping to cut, by more than half, your operating deficit. So, I would like to commend you for a job well done in a short amount of time. You really delivered on the promise of this administration.

I think that we all agree that the Meadowlands is operating at a loss. And I think we're all really-- I think I can speak for all of New Jersey when I say that we're all tired of the taxpayers subsidizing, to the tune of \$50 million, the Meadowlands.

But I think that what a lot of us need to know, and a lot of what our fears are, is that we don't want history to repeat itself. And this may not be a fair question to ask, but can you offer any assurances to this Committee that we won't find ourselves in a similar position to where the Meadowlands is now? You've testified, Mr. President, that the Meadowlands has \$160 million in debt and that they've added debt over the years.

I'd like to find out how we got here. Where did we come from? How did we get to this point? How did we add to this debt? Was it a result of capital improvements. And were the Meadowlands ever profitable?

MR. ZOFFINGER: The answer is that the Meadowlands, at one time, generated a substantial amount of money to the State Treasury in direct payments.

Actually, Senator, it's a combination of management errors, bad transactions and, frankly, an attitude that since the taxpayers were there that accountability didn't have to be.

I've had the opportunity to testify before other committees with regard to the specifics, but it's suffice it to say that the manner in which the Authority was run didn't always reflect the best business judgment. And there were efforts on many peoples' parts to do projects around the state that ended up not being profitable.

I've tried to change that in a short period of time, and I think we're on the right road with regard to that. But we still have some of the residual items that are problematic, the biggest being that we have capital requirements, when you have facilities such as this, that need to be met every day just about.

You can image the amount of work that it takes to maintain the arena, the stadium, and the racetrack. This has happened during a period when the main source of the revenue, which was the racing revenue, has been dissipated by other forms of gambling around New Jersey and therefore less revenue from the horse racing part of our business.

Where we're at right now is that we're going to do our very best to operate efficiently and to try to deal with this debt issue, but it's going to take time.

SENATOR BUONO: I want to thank you for your candor.

SENATOR BARK: Is that all? (affirmative response)

Senator Connors.

SENATOR CONNORS: Good morning, Mr. Zoffinger.

MR. ZOFFINGER: Good morning, Senator.

SENATOR CONNORS: I have a few questions. But I also have some thoughts with regard to--

Right now, as you know, New Jersey had passed a corporate business tax. And I wonder whether or not this is more corporate welfare. We're out fighting corporate welfare, and it would appear to me, at least from some of the numbers I received, and I can go over these numbers with you -- find out if it is or if it isn't corporate welfare.

Right now, we know that we're losing money on the Meadowlands. Is that not so?

MR. ZOFFINGER: Yes.

SENATOR CONNORS: And I understand that the original bonds -- senior lean bonds in the amount of \$76.2 million were issued by the New

Jersey Sports and Exposition Authority in 1978 to finance the construction of the arena. Is that not so?

MR. ZOFFINGER: I assume, if you have those numbers--

SENATOR CONNORS: That's the information I have from OLS.

MR. ZOFFINGER: It sounds about right.

SENATOR CONNORS: And according to the New Jersey Sports and Exposition Authority's annual report, these senior lean bonds are not a debt or a liability of the State of New Jersey or any public political subdivision of the State other than the New Jersey Sports and Exposition Authority.

MR. ZOFFINGER: The original financings for the Authority were, in fact, the obligations of the Authority.

SENATOR CONNORS: Wouldn't that have been paid off some time ago over the twenty years?

MR. ZOFFINGER: They would have been had we not added more and more debt.

SENATOR CONNORS: How did we add more debt?

MR. ZOFFINGER: Well, Senator, every time that there was a capital requirement, instead of taking it out of the current income, we borrowed it.

SENATOR LESNIAK: Senator, where have you been the last two hours? They've been talking and outlining that over and over and over again.

SENATOR CONNORS: I've been listening to you interrupt the people testifying.

SENATOR LESNIAK: Over and over again, Senator, they've answered that question.

MR. ZOFFINGER: Senator, I think what has happened is that over time, we have dissipated the-- The way you would normally run a real estate business is that you have your asset, you have your tenant that pays your rent, and you have your operating cost. And you also put aside money for your capital requirements.

The way that it's been done at the Authority is that nobody has thought about the day when these assets have to be replaced. And nobody has put aside the proper amount of reserves for capital requirements. The result has been that when capital requirements were required, they were borrowed.

Let me give you an example.

SENATOR CONNORS: What did they borrow them for?

MR. ZOFFINGER: Let me give you an example of one thing that you'll find very troubling.

The arena, a couple of years ago, wanted to improve the restaurant in the arena, which is called the Winners Club. They went out and spent -- and realize this is a ridiculous figure -- \$10 million to renovate the restaurant in the arena. It's only open maybe 180 days a year. If you were to put 300 people in it for every night it's opened, and they all spent \$100 bucks, you'll never get your money back while we live.

So what happened was -- and it was always done under the criteria that, "Well, we need to have a first-class facility." Nobody ever did an internal rate of return that I would do as a businessman or you would do as a businessman to see whether or not you would ever get a return on that. Why? Because we could borrow the money, and the debt was being paid by the taxpayers.

So, I don't mean to be pointing fingers in terms of this stuff. It's just the way it was done. We have to not do that anymore.

SENATOR CONNORS: Because we've added more debt.

MR. ZOFFINGER: Oh, yes. Today, I--

SENATOR CONNORS: Because we've added more debt, more than the \$76.2 million.

MR. ZOFFINGER: Senator, I would estimate--

SENATOR CONNORS: In other words, Atlantic City would be included in that debt -- the Convention Center in Atlantic City.

MR. ZOFFINGER: No, I'm talking-- Let's just talk about in the \$1 billion debt -- Atlantic City is there. Wildwood is there. That's correct. But in this particular asset -- these assets, which are the arena, the stadium, the racetrack, we do an allocation of the debt. And we're estimating that the debt on the arena today is probably around \$160 million.

SENATOR CONNORS: I had that figure.

MR. ZOFFINGER: It's \$160 million. Think about it.

You've pointed out very well that it only costs \$72 million to build it, or whatever.

So, you can see that what we've done over the years is used borrowing to make improvements and repairs and other things that we should have been reserving out of our income if we were running a prudent business.

SENATOR CONNORS: Again, going back to what I had mentioned before with regard to the income generated by ticket sales, etc. The information that I have is that the average gross ticket sales for the Devils for

the 2001 season, based on 41 home games, was \$793,659. Do you have any idea of that's correct or not?

MR. ZOFFINGER: I don't know whether that's exactly right.

SENATOR CONNORS: Give or take a few. Does it seem like it's in the ballpark?

MR. ZOFFINGER: Seven hundred thousand?

SENATOR CONNORS: That's what OLS has said--

MR. ZOFFINGER: That seems low to me.

SENATOR CONNORS: \$793,6--

MR. ZOFFINGER: That sounds low to me.

SENATOR CONNORS: Pardon?

MR. ZOFFINGER: That sounds low to me. For 41 games?

SENATOR CONNORS: For 41 games.

MR. ZOFFINGER: That sounds low to me.

SENATOR CONNORS: And the 2002 season was \$803,593.

MR. ZOFFINGER: Is that per game? Maybe that's per game?

SENATOR CONNORS: No.

MR. ZOFFINGER: It's probably a per game figure.

SENATOR CONNORS: It says here for the season. The average gross--

MR. ZOFFINGER: I'm sorry. I don't know. I'll have to look at that.

SENATOR CONNORS: Well, using these figures, I'm trying to come to some kind of conclusion because this discussion here today is about the Meadowlands. And you've come prepared to discuss the Meadowlands.

MR. ZOFFINGER: Right. Yes.

SENATOR CONNORS: And the average gross ticket sales for the Nets in the 2001 season, based on 41 home games, was \$623,537 and for the Nets 2002 season, it was \$698,951. Does that sound reasonable or in the ballpark?

MR. ZOFFINGER: No, it doesn't sound even close. They pay the players probably that a day.

SENATOR CONNORS: That's my point.

MR. ZOFFINGER: I think that that's a very low number.

SENATOR CONNORS: In fact--

MR. ZOFFINGER: I think it's the per game number that you might be talking about.

SENATOR BARK: Senator Connors, if I might, we have already asked for all revenue figures to be sent through the Chair. And that would simply be another one of the revenue figures that we would like to see, I think.

MR. ZOFFINGER: Senator, I can address, very quickly I think, the issue of the profitability to the -- to us of the Devils lease.

We lose approximately \$80,000 per game on the Devils for every game for the season.

SENATOR CONNORS: I've heard that. Yes.

MR. ZOFFINGER: The reason that we do that is because when the lease was renegotiated in 1996, we gave a guarantee number to the Devils, in terms of a direct payment, which we pay now every month. And it results in a payment this year of \$5.2 million, which is the reason that we end up

losing money on the arena because the Nets and the Devils' leases are such that we don't cover our expenses.

SENATOR CONNORS: And the leases, Mr. Zoffinger-- The share of the Devils concession revenue-- Would you define concession revenue?

MR. ZOFFINGER: That would be the hot dogs, the sodas, the sweet food, the things that we have. But they get most of that.

SENATOR CONNORS: The information I have is that they're -- I guess by agreement -- by contract--

MR. ZOFFINGER: Correct.

SENATOR CONNORS: The concession revenue for the Devils was \$2,000,049,616 for the 2001 season. And for the 2002 season, \$2,000,022,674 as a share of concession revenue.

MR. ZOFFINGER: I would be pleased to sit down with you and go through those figures with the actual operating numbers that I have at the stadium. I'd be pleased to do that. I mean, you're throwing figures at me today that I don't--

SENATOR CONNORS: I'm not trying to trip you up on any kind of figures. I just asked you if they're in the ballpark. There are concession revenues that are given to the Nets and the Devils.

MR. ZOFFINGER: They make the majority of the sweet revenue, the majority of the concession revenue, and the majority of the parking revenue under their lease agreements.

SENATOR LESNIAK: And that includes cracker jack sales?

MR. ZOFFINGER: That includes everything.

SENATOR CONNORS: And just for the board's information, according to OLS, the Nets concession revenue was \$1,193,700 for the 2001 season and \$1,541,548 dollars for the 2002 season.

My whole point in talking about this concession revenue is in addition to the game ticket sales, this is what constitutes their revenue stream to pay for their operation.

MR. ZOFFINGER: Yes, they get a major portion of that revenue.

SENATOR CONNORS: Okay.

And the other information that I ask -- and I share this with the Committee is the average salary of the Devils is -- the average is \$1,725,247 -- average annual salaries -- and of the Nets is \$4,260,130 based on a listed salary for 23 Devils and 12 Nets.

MR. ZOFFINGER: I'm sorry, Senator? Do those sound right to me?

SENATOR CONNORS: Yes.

MR. ZOFFINGER: I would say yes. I think they probably include in that average people that work in the office. That brings it down substantially. I think that anybody that's playing on the Nets is probably making \$4 million or more.

SENATOR CONNORS: Have you looked-- I'm sure you probably have. Have you looked into this? You know, I imagine, these players -- the names of these players and where they live.

MR. ZOFFINGER: Yes.

SENATOR CONNORS: Do they all live in New Jersey?

MR. ZOFFINGER: Well, they don't all live in New Jersey. And the way that works, Senator--

SENATOR CONNORS: Would they pay tax in New Jersey from their income generated in New Jersey and even if they lived in Philadelphia?

MR. ZOFFINGER: Yes. That's a very good point. I mean, we generate for the State, by having the teams here, a substantial amount of income tax revenue, not only from the players that play for the Nets and the Devils, but the players that also play for the other teams that come through New Jersey.

The way it's done-- The way the calculations are done is that when the teams are playing-- Obviously, the New Jersey residents pay their New Jersey income tax for the days that they generate income in New Jersey. And other players from around the country-- When Kobe Bryant comes here-- The salary that he makes for that day we actually get a piece of. So, that's a very good point in terms of why we would want to keep the teams in New Jersey.

SENATOR LESNIAK: Is it actually \$7 million a year, in that neighborhood?

MR. ZOFFINGER: We estimated it for the Nets and Devils to be -- with the entire organization to be about \$8 million -- \$7 million or \$8 million.

SENATOR CONNORS: Mr. Chairman, I'd like to continue without interruption.

SENATOR LESNIAK: I didn't know I interrupted you. I thought you were looking down at your notes.

SENATOR CONNORS: Yes, you did.

SENATOR LESNIAK: I thought you were looking down at your notes, Senator.

SENATOR CONNORS: This whole point is about whether or not the Meadowlands is a satisfactory place for the Sports and Exposition Authority and the Nets and the Devils and what kind of money has been coming to the State or not coming from the State and actually costs us money to have the Nets and the Devils here.

Is that not so, Mr. Zoffinger?

MR. ZOFFINGER: We lose money on their--

SENATOR CONNORS: We lose money here with the Nets and the Devils.

MR. ZOFFINGER: On their licensing arrangements, yes.

SENATOR CONNORS: Now, some of the information that I've generated with regard to the Meadowlands -- that in 1999-- Did you know that the arena was honored with the number one arena award by the *Amusement Business Magazine*, and the award was based on total ticket sales in 1999 for family shows, concerts, and special events?

MR. ZOFFINGER: Yes, we're very proud of that.

SENATOR CONNORS: And the arena was also the site of 21 other concerts including Billy Joel, Jimmy Buffett, Bette Midler, and Bob Dillon.

MR. ZOFFINGER: You forgot Bruce Springsteen.

SENATOR CONNORS: Bruce Springsteen. I've got it here.

In 2001, the arena hosted 205 events and received the Prime Site Award by *Facilities*, an events magazine, an awarded -- shown one in 1994, 1995, and 2000.

My point in bringing this up and reciting this to you is the fact that it would seem that the Meadowlands is not the problem here. The problem here is not the Meadowlands, and it's not the entertainment. It's the Nets and the Devils.

MR. ZOFFINGER: The Nets and the Devils licenses definitely cost us money from an operating standpoint.

SENATOR CONNORS: And now, what we did in 1978 -- when we began in 1978 and brought to fruition in 1981 -- with the building of the actual -- moving into and opening up of the Meadowlands-- We're now discussing moving to another area and, perhaps, doing the same thing. What's changed?

MR. ZOFFINGER: The difference is that in the other proposal, which I know I'm not supposed to get into today -- I'm only talking about the Meadowlands. But in the other proposal, we put the burden of the operations onto the team. I think that's a very important consideration. With the licensing arrangements that we compete against around the country and the licensing arrangements that presently exist, we cannot make money at the present arena with the Nets and Devils as tenants. If they took over that burden we, as state taxpayers, would not have that risk, and it would be a positive thing, in my opinion.

SENATOR CONNORS: And perhaps 20 years down the road, we'd be looking at the new site as having the same problem.

MR. ZOFFINGER: They would still have their obligations under the agreement to make the payments.

SENATOR CONNORS: And we'd still have obligations for the Meadowlands, also.

MR. ZOFFINGER: Hopefully, we'll be able to develop the Meadowlands in such a way that we will not have a deficit of \$4.5 million, but we would have positive cash flow in the neighborhood of \$10 or maybe even more so that the net benefit to that could be as much as \$14 million in positive cash flow.

SENATOR CONNORS: Well, I'd just like to conclude by saying while I wasn't here in this seat in 1978 when this was discussed originally -- when the Meadowlands came up -- I was in public office in 1998. And I do recall reading the articles in the paper -- what a great boom this was going to be to the State of New Jersey, and it has been, as far as all the other events are concerned.

The fact of the matter is, the people in the State of New Jersey are now paying for something that apparently they shouldn't have been paying for in the first place with regard to this issue. These were supposed to be revenue bonds produced by the teams and never brought about. Is that not so?

MR. ZOFFINGER: Senator, you've hit on the very point that is most important here. The business environment under which -- that made these kinds of decisions more viable in the past are not present today. The business of professional sports has changed dramatically. The entire manner in which business -- this entertainment business is done has changed dramatically.

The problem with us, meaning many people, not only New Jersey, but many people that operate these, is that we've not kept up with those changes. It's the same that you've seen in the technology business. It's the same you've seen in many other businesses. We can't sit back and do nothing or we'll have a crisis at some point where we'll have an arena that is not viable at all, and even the awards that you so aptly pointed out that we're very proud of will not be there because we will not have the facility that can generate them.

SENATOR CONNORS: Well, apparently, this is an ongoing thing. I don't want to debate the issue with you, but this is an ongoing thing with these other 205 events that have taken place over these last few years, where awards have been forthcoming for these various shows that have come to the Meadowlands and shown a profit; shown a profit not only to the taxpayers in the state but also for their enjoyment.

And I'm not belittling the Nets or the Devils at all. A lot of people enjoy that, and they should. The plain fact of the matter is that it's a known fact that it's a loser. It's a loser. And now we're discussing the Continental Arena, which has a seating capacity of 19,040 people for hockey and 20,049 people for basketball, and we're talking about going to a new site with 20,000 seats, which is just approximately the same amount of seats that are in the Meadowlands.

Finally, with regard to that issue, when you look at the ticket sales, the season ticket sales for the Nets in the 2002 season for example were 4119, and the number of full season tickets sold for the Devils in the 2002 season

was 9281, which is only a fraction of the amount of people that are -- that that stadium will hold -- or that arena will hold.

What is going to convince me to tell the people back home that we should move to another site-- Then they're going to say, "Well, why are you moving to another site to-- You're going to seat the same amount of people. Is this just to build construction and build buildings?" How are we going to make money on this thing is the question they're going to ask?

MR. ZOFFINGER: One very, very important point that answers your question very directly-- We want to shift the burden of making those season ticket sales and those operating expenses and meeting those operating expenses to the teams and away from the State. If we can do that, we don't have to worry about whether they sell 10 tickets or 20,000 tickets. It's their responsibility to meet the operating expenses.

That's where I think this Committee has to sit back and really think about how we get the burden off of the taxpayers and onto these professional teams.

SENATOR CONNORS: Well, right now, the ticket sales, as I understand it -- the cost per ticket for the Devils starts at \$20 and increases to \$35. Is that about right?

MR. ZOFFINGER: I think in the regular season that's right. Although, in the playoffs, they were charging upwards of \$200.

SENATOR CONNORS: And for the Nets, \$52, \$70, and \$90 for premium seats.

MR. ZOFFINGER: That sounds about right.

SENATOR CONNORS: My point is this, if we're going to put this on a team, aren't we kind of kidding ourselves? If they could get more money for these tickets now, wouldn't it be to their advantage to raise the ticket prices where they are now?

MR. ZOFFINGER: What they're saying is that because of the facility, they can't do that, and that's why--

SENATOR CONNORS: They don't fill the facilities now.

Mr. Zoffinger, that's my whole point. They don't--

MR. ZOFFINGER: We're agreeing.

SENATOR CONNORS: They don't fill the facilities now. What makes us think moving it 10 miles away, it's going to be -- they're going to fill a 20,000-seat arena? And if they did--

MR. ZOFFINGER: Senator, it becomes their problem. I think that's the issue. It becomes their issue. I mean, we get away from this today. We're very much tied into that thing because our rent is based on a percentage of that revenue. And when they don't fill the place up, we end up losing money. That's why we lose money.

I just want to-- Not, me, but--

SENATOR BARK: Excuse me, Senator Connors, do you feel that you have an answer?

SENATOR CONNORS: Fine, I yield.

SENATOR BARK: Or do you need something, perhaps, in writing from them?

SENATOR CONNORS: No, I have the information.

SENATOR BARK: All right then. Senator Littell is our last questioner.

I have one question, but it will be an easy one.

Go ahead.

SENATOR LITTELL: Good morning, President Zoffinger.

MR. ZOFFINGER: Good morning, Senator.

SENATOR LITTELL: This is an issue that has generated an enormous amount of opposition. Next to the CBT, which we just went through, this has probably generated more phone calls and letters and E-mail and faxes than anything I've seen in a long time. I think if you're going to be successful in this, you somehow have to convince the voters how this project is going to work.

From what I can figure out is that this is not unique. New Jersey, in the past, has supported projects that were considered outside the norm; one example being the State support for corporate office space along the Jersey City waterfront. And this project was funded with (indiscernible 404).

Other projects have been made possible because of a law passed in 1949 known as Fox-Lance, which provides for tax abatements, payment in lieu of taxes. The Sports and Exposition Authority in the Meadowlands is different because the State still owns the property and the building.

For the first few years, the racetrack generated enough money to promote Giants stadium and the racetrack and even return money to the State Treasury.

Other projects the State has supported are Monmouth Track, Camden Aquarium, Wildwood Convention Center, and two Atlantic City convention centers.

Over the years, the State has raised taxes and fees and dedicated these dollars for specific purposes, and they have held true. The fish and wildlife fees paid by sportsmen have always been dedicated. The income tax is dedicated by constitutional amendment to provide property tax relief. The gasoline tax and motor vehicle fees are dedicated constitutionally to the Transportation Trust Fund. A portion of the sales and use tax for open space are constitutionally dedicated. Sales and use tax revenue for the urban enterprise zones and so on and so forth--

We have a record of doing things that are out of the norm. And I would consider what you're asking us to do is outside the norm. It's not an easy issue to sell to people because they say if it's such a good deal, why don't they sell the bonds themselves. I've had several discussions where people are very vehement about this proposal.

The State revenue bonds have no implied or actual risk to the State of New Jersey. I haven't heard that information. If you're going to sell these things, you have to overcome some of the things that are upsetting people.

You use the Meadowlands and say that the project in Newark will not cost the taxpayers any money. That's not really true. The sales tax is used as a sweetener to bring them to the table. You need to explain that to people -- that it's going to generate sales tax or, at least, you project through your evaluation that it's going to have to be explained better.

The bonds will be secured by what's called boilerplate in the Legislature. That boilerplate has to be explained to people. You can't just continue to go on and on and say it's not going to cost the taxpayers anything. It is going to cost something. They have a right to know. They should be explained in detail. And people are able to figure it out.

These revenue bonds would have no right for a bailout. For the purchaser -- he would be taking -- he or she would be taking all of-- Is that correct?

MR. ZOFFINGER: Are we talking about the proposal for the Newark bonds?

SENATOR LITTELL: The proposal for Newark.

MR. ZOFFINGER: Yes, that's correct.

SENATOR LITTELL: And I'm told that the real problem is the luxury suites -- that we have 25 in the Meadowlands, and Madison Square Garden has 200. And Newark will be projected to have 80, plus some club seats. Is that correct?

MR. ZOFFINGER: Yes.

SENATOR LITTELL: Well, I would tell you that people could believe in this project outside of the handful of people that are working so hard to make this happen. But the project needs a boost, I think.

Senator James and I introduced a concurrent resolution that would dedicate a user fee to a fund to provide money for the reduction of the debt at the Meadowlands. And it's not unreasonable to expect that the people that go to a game and pay \$55 for a football game ticket can't afford \$1 per ticket extra, which would go into this fund. That way, the people that use the

facilities and enjoy the facilities pay and others do not pay. That will go a long way towards your ability to sell this project, I believe. One dollar, I'm told, can generate \$10 million a year if you include all of the venues that the Sports Exposition Authority has.

I think you need to take a serious look at that and see if that doesn't strengthen your position.

MR. ZOFFINGER: Thank you, Senator.

SENATOR LITTELL: The best use of the Meadowlands is another issue that needs to be dealt with. It's like walking on eggs to satisfy some people and discourage others.

I'm going to throw my idea into the ring so you can discuss that, too. I think the best use for the Meadowlands Arena is to put slot machines and video lottery in the existing arena run by the casinos from Atlantic City so that they can intercept some of the traffic that's going to be going from New York City to the Catskills when that casino opens up in the Catskills. I know you know how close that is because you can be in the Catskills in an hour and 15 minutes and Atlantic City's three and a half hours away. We have to be careful that New York doesn't eat our lunch.

I give you some of these ideas and tell you what I think. You need to do a lot more than you're doing now. And I urge you come back and give us another presentation when you've got more time to explain in detail.

MR. ZOFFINGER: Thank you, Senator. We will.

SENATOR BARK: I have one very short question. I kind of think I'm entitled to one.

MR. ZOFFINGER: Yes, Madam Chairperson.

SENATOR BARK: Can you tell me how many arenas in the United States are successful in terms of profits, in terms of making money?

MR. ZOFFINGER: I'd have to look into that.

SENATOR BARK: Okay. That's fine. You look into that.

MR. ZOFFINGER: I mean, it's going to be very difficult to get that information, too, because it's closely guarded, the figures of a lot of them.

SENATOR BARK: Well, I'm sure. And I'm also sure that it may be difficult in having apples compared to apples. However, I would appreciate an effort on that part. If you would forward that through the Chair to the Committees, I would be very happy about that.

I want to thank you.

MR. ZOFFINGER: Thank you.

SENATOR BARK: And I want to thank Commissioner Goldberg. I believe at this time I would ask for short comments from James Hughes and Richard Fritzky.

MR. ZOFFINGER: Yes. Thank you very much.

SENATOR BARK: You have to move up, I'm afraid, to the front lines there.

Thank you.

J A M E S W. H U G H E S, Ph.D.: Is it on? (referring to PA microphone)

SENATOR BARK: If it has a red light, it's on.

DR. HUGHES: Madam Chairperson, Chairs, members of the Committee, it's a pleasure to be here today.

Before we begin though, I do want to promise that I will finish on time, no matter how long it takes, so let me get right on with it.

I would just like to make a brief statement -- a brief general statement about the future of the Meadowlands.

In total, the entire Meadowlands site is really a unique 700-acre public asset that has an enormously potent economic geography. As I think we all realize, it's at the epicenter of the nations largest economic market; the 31-county, New Jersey, New York, Connecticut, tri-state, metropolitan region. And it stands as a unique assemblage of public land and public assets at a unique location; an assemblage that will never again be possible at anywhere near the current scale at such an important position.

Consequently, the potential redevelopment of the Meadowlands really does represent an unparalleled opportunity for the State of New Jersey and the broader region. And critical to this opportunity is the creation of a long-term vision of what a 21st century Meadowlands can be and what it should be. I think at a minimum, it should be construed as nothing less than the centerpiece of the region, the centerpiece of new millennium New Jersey.

The current Meadowlands complex is the product of mid 20th century aspirations. There is now the opportunity to realize new 21st century aspirations.

Now, I think it is well recognized that I'm the only totally objective person in the State of New Jersey, and it is my objective opinion that the Meadowlands has the potential to be one of the crown economic jewels of New Jersey; a jewel which can shape the image of New Jersey in the decades to come.

The goal should be nothing less than to achieve maximum value added, to achieve world-class status, to achieve global status. And this, today, is a unique, perhaps once-in-a-lifetime opportunity that we really cannot afford to squander.

So, that's basically my statement. I'm finished on time, hopefully, on budget.

Thank you.

SENATOR BARK: Thank you very much. Economists don't always do that. But thank you.

RICHARD FRITZKY: Good morning, Senator and Senators, and thank you for the opportunity to chime in.

I'm Rich Fritzky. I'm the President of the Meadowlands Regional Chamber of Commerce. I've had the opportunity to sit there in the past as a member of the State Planning Commission and the State Employment and Training Commission. So, I've looked at these issues from a number of different vantage points.

I'm going to trash my statement. It's just not necessary. I'm just going to react and share a few short comments based on what I've heard and witnessed this morning.

I'd like to begin by saying I was reminded -- and I'm not making this up, I happen to be a Civil War buff-- I was reminded of a conversation General George Pickett and General James Kemper had on the night before the second day of the Battle of Gettysburg. Kemper said to Pickett, "George, you have the uncanny ability to complicate the obvious and trivialize the momentous." And I'm suggesting that all of us, myself and the organization

I serve included, have helped to do that over recent years as these issues have been bandied about.

I think I have to say ditto to what my friend Jim Hughes just said. He is absolutely right. I came here this morning not to talk about the problem, not to talk about the history, not to talk about the bad decisions and the mistakes, but simply to talk about the blessed opportunity that is still there for us. Yes, we have to talk about the debt and the obligation and the weight and the burden and the responsibility, but for God sakes, we should be talking about the enormous opportunity.

You gentlemen and ladies, in what you've recently gone through, I well appreciate. You just dealt with an issue of multibillion budget gap issues. And you did everything you could reasonably to find a way to get the table set and go forward.

If, as I believe you do, your intent, when we face next year's dilemma and the year after that dilemma of not taxing our way out of that dilemma-- We have to grow and invest our way out of that dilemma. We have to seek every opportunity we have. And the Meadowlands is an enormous one.

I'm sitting here thinking and marveling sometimes at the way we do business. I take what Jim said and ratcheted it out one step further. The Meadowlands is 19,760 acres. It's 32 square miles. In recent years, in recent decades, these guys around us and ladies from the press-- They used to write about the Meadowlands miracle and the great decisions and turning the world upside down and remaking history. And of late, we've been saying no, no, no. We're stymied. We're frustrated. We fritter away opportunities.

SAMP -- fourteen years and then we buried the SAMP document. Project after project, big vision picture after big vision picture. We fight and we argue, and we fail to achieve consensus, and we go nowhere. We can't do that anymore. We can't do that here.

Now, specifically -- and I apologize if I'm taking too much time--

SENATOR BARK: Well, you sort of are. You are being dramatically repetitive.

MR. FRITZKY: I'll be real quick right now. What has happened in the past couple of months. This RFP process-- The process that has been engaged-- Senator Kyrillos asked the question before--

Never, in the history of the Meadowlands, has there been such an inclusive process. Never have so many people been invited to the table. Never has the business community, the environmental community, the local mayors been -- to share their advice, to share their view. The process has been incredibly inclusive. And because of that, I think we're going to get to a place where we can take that economic resource, that precious resource, and do something great with it.

What happens? What we do-- Disney, Universal Themes, Ecotourism, convention centers, etc., etc. What this RFP does is it says it invites the best vision of the best minds and says, "Let's think about it. Let's go forward." That is positive.

I would caution everyone, please, my final comment-- As we do that, don't let preconceived fears stand in the way of what might be. It is ultimately about driving the best use, the public good, and the revenue. And

therefore, to say no out hand to retail components -- to a retail component doesn't make sense to me. You have to let the market speak and work.

SENATOR BARK: I want to thank you very much, but always be remembered that a salesman who went on too long never, ever got the order.

I just want to say that to everybody who's going to come to the microphone. We have a great many people who want to testify.

Please, you made your point. You made it very effectively. At some point we have to stop and go on to someone else.

MR. FRITZKY: I stand reprimanded, and I'll shut up.

SENATOR BARK: Okay. Thank you. I do appreciate your enthusiasm very much.

Next we will have Assemblywoman Rose Heck.

A S S E M B L Y W O M A N R O S E M A R I E H E C K: Good afternoon.

Thank you very much for holding this joint Committee hearing.

I was here once before. It's déjà vu. On June 30, I waited for two hours for you to convene, and you didn't. But I do want to thank you for not convening because this bill could have gone through in the middle of the night.

I think the fact that you're giving us an opportunity to testify is most important. But I have to preface my statement by saying I'm very suspicious of what's going on and what has been going on over the past several years. And I'm very concerned about the people of Bergen County. And when I hear all of the flowery remarks about inclusiveness, I shutter because it is not inclusiveness when you have people sit around the table and say, "Tell me what

you think we should do with the Meadowlands.” That’s just playing games as far as I’m concerned.

I’ve sat at those meetings. I have uttered not a word for reasons I will disclose later on -- not today -- because it is my hope to be at every meeting you hold with other people coming with me.

I will not reiterate what has been said, nor will I go into what I know is in the testimony of others. They will take care of that themselves. My concerns are that promises were made at the Meadowlands to the people of Bergen County. Promises were not kept. I forewarn Newark and Harrison and possibly Pennsauken or whoever else enters this mix that unless there are dollars to back up the promises, it’s not going to be a golden opportunity.

We were promised that there would be no traffic congestion in Bergen County. We were promised there would be no flooding in Bergen County because of all of the concrete being laid. We were promised mass transportation. We were promised an aquarium, which ended up in Camden. We were promised time and time again. We don’t swallow those promises anymore. We want proof.

We’re in a downturn of the economy, and yet we’re looking to risk taxpayer dollars on corporate pipe dreams. And I call it such because the risk isn’t in their court, it’s in ours, the people of the State of New Jersey. An inclusive advisory group of nine people in a county that numbers almost a million people-- Is this a joke? Why not a referendum on several projections for the use of the Meadowlands.

I am concerned over what is happening. I will absolutely have more documentation when I come back again and give you printed forms. But

I wanted to ask, did you set the dates of the next two hearings that you mentioned, one for August, one for September?

SENATOR BARK: No.

ASSEMBLYWOMAN HECK: Will you be doing those in advance so that we can prepare buses coming in and different people coming in in groups, not only from Bergen, but other counties are interested, as well?

Will you please try to do that?

SENATOR BARK: I will do everything I can to keep that promise.

ASSEMBLYWOMAN HECK: Well, I will be persistent in that regard because it's difficult.

SENATOR BARK: I can't make a promise to you like that, Assemblywoman, because it's not -- I'm not in charge. If I were in charge, I would make that. But I have other people that have to have input into that.

ASSEMBLYWOMAN HECK: Well, going through the channels, I know, can be difficult.

SENATOR BARK: Right. But I will try every effort to give plenty of time.

ASSEMBLYWOMAN HECK: I realize that because, Madam Chair -- and may I also mention to the Committee at large -- when we voted on the Harrison bill, and I rose mentioning the problems that I felt were going to come to the sports complex and to the Meadowlands, I was told by the Chair, the Speaker of the House, I was not to address that because this had absolutely nothing to do with the sports complex or the arena.

My fears certainly have come true because here we are, in a convoluted way, putting this -- or the possibility of putting this on as an

amendment, something of this proportion. It's intolerable to me to put this on as an amendment or a change to the Harrison bill without having public hearings on the Assembly side, as well.

We've gone through a lot of pain in the last several years. We've gone through a lot of problems fighting the environmental issues, the Mills Corporation, which would downsize or hurt the Paramus malls. We have gone through many, many different versions. And I've been at a myriad of hearings also for the transportation pieces.

We need the money for mass transportation to the Meadowlands before anything else goes into the Meadowlands because we're not buying the promises.

I thank you very much for holding the hearing. I have other remarks to say, but I will hold them for the next hearing and the next hearing.

May I bring visuals to the next hearing, or will you not accept that because, you know, there are so many newspaper articles -- you know, the arena is dead, the arena is living again, and all-- Mills is back. The Army Corps of Engineers now finds a way to allow Mills to come into the Meadowlands. There are so many pieces, including the bill that's projected on blue laws in Bergen County.

So, all of these are part of the puzzle that creates my suspicions. I will be pleased to have an opportunity, if you will allow me, to bring in some of those things.

SENATOR BARK: Thank you, Assemblywoman.

We will certainly give you rules and regulations so you'll know everything that you can do. Hopefully, we will be able to not have them come out the day before or a couple of days before. That's inappropriate.

ASSEMBLYWOMAN HECK: Well, it takes time to rent buses.

SENATOR BARK: That's right. Well, whatever. The fact is, I think to be fair--

ASSEMBLYWOMAN HECK: It's more than whatever. These are people who want to come.

SENATOR BARK: --to be fair to the public. The fact is, we need to set things as early as possible.

ASSEMBLYWOMAN HECK: I think that both of you as Chairs, Senator Lesniak and yourself, and the members of these Committees, will agree that they would want to be treated with the respect that is due the people in Bergen County and if it pertained to their county, as well. We've done so many things over the years together that I do not wish to see us use a fixed deck for this one.

I also have the opportunity to leave you with testimony from the Republican Leader Paul DiGaetano. I am not going to read it for you, but I will have it distributed.

SENATOR BARK: Thank you.

ASSEMBLYWOMAN HECK: Thank you all very, very much.

SENATOR BARK: Thank you very much.

SENATOR LESNIAK: Madam Chair.

SENATOR BARK: Yes.

SENATOR LESNIAK: Assemblywoman, just one second, if I may. I just want to share my concerns with you with regard to a massive shopping center at the Meadowlands. It would hurt my county, as well. I've already spoken to the sponsor of the bill. The Senator is considering to ensure that it be in the bill that there will not be a significant retail component to this proposal.

ASSEMBLYWOMAN HECK: Senator, just as a point of information, Senator Kenny and I worked together over the years on very positive approaches. And when I started to work on the Light Rail project almost a dozen years ago, we were told there was no money, we were in a recession, and that we should find the money. We brainstormed, had volunteer committees, and my friend, Phyllis Elston, was a vital part of bringing me into that question. And we were able to put together a plan -- a \$1.2 billion plan that started in Hudson and will go to Bergen. But we were able to get the money from the Federal government, 80 percent of it, to get it off the ground.

This money is State of New Jersey's money. It's the taxpayer money.

SENATOR LESNIAK: I'm sorry, but did you hear what I said?

ASSEMBLYWOMAN HECK: Yes, I know what you said about Mills.

SENATOR LESNIAK: Okay.

ASSEMBLYWOMAN HECK: I know what you said about Mills, Senator, but this is not just Mills.

SENATOR LESNIAK: Well, it wasn't about Mills, it was-- But I was just wondering if you heard what I said.

ASSEMBLYWOMAN HECK: I did.

SENATOR LESNIAK: I was concurring with you.

ASSEMBLYWOMAN HECK: No, I understand that you were concurring with me, but also remember this is a multifaceted bill.

SENATOR LESNIAK: I was just making a point on that shopping center.

ASSEMBLYWOMAN HECK: I appreciate it.

SENATOR LESNIAK: And that I oppose it, as well.

ASSEMBLYWOMAN HECK: I just took the opportunity--

SENATOR LESNIAK: I was just making a point on that shopping center, and I support you on that.

ASSEMBLYWOMAN HECK: I just took the opportunity to add to that that we have worked with other counties and respect the idea of working together, as long as one of the counties doesn't get burned in the process.

Thank you.

SENATOR BARK: Next is Candace Straight.

CANDACE L. STRAIGHT: Good morning.

SENATOR BARK: Good morning.

MS. STRAIGHT: I'd like to say that I am the Vice Chairman of the New Jersey Sports and Exposition Authority. And in that regard, I'd like to make a few comments about what was said earlier.

With respect to the debt of the Sports Authority, George is correct, we have about \$1 billion in debt on our balance sheet. When I became a member of the board in 1994, the debt was \$923 million.

The major components of the increase from \$923 million to just over \$1 billion today are threefold: the renovation of the old Atlantic City Convention Center on the boardwalk, the Wildwood Convention Center that was built, and a \$30 million project for the stadium suites at Giants Stadium. Those together add a little bit over \$100 million, which gives you the delta of really where -- how we've gotten to \$1 billion.

Honestly, in many regards, when you look at the Meadowlands, a lot of that has not come from the Meadowlands in the last few years, but outside the Meadowlands. And the major driver in the early '90s was the \$210 million project in 1993 for the Atlantic City Convention Center that brought the debt from about \$700 million to just over \$900 million.

I would also like to say, as regards to the RFP process that was discussed earlier today, that as a member of the board, I voted for that process. All the members voted, I think with one exception. And the only exception related to the fact that we do not have a resolution, as yet, on the Newark Arena. And that individual was concerned that we shouldn't go forward with the RFP process until that was resolved.

I disagree. I probably agree with George and Carl that's it's time to go forward with the process. The process that they envision is so broad that it can incorporate various scenarios for the Meadowlands.

I would now like to get to my prepared remarks and state that I'm going to beg the Chairs a little bit of forgiveness, but a lot was said on an arena

today, and I'd like to make a few quick remarks for you. I'm sorry if I'm a little bit off the subject, but I think I have some very interesting comments to make about arenas in general.

SENATOR LESNIAK: I would add, however, that there is going to be a hearing on the arena.

MS. STRAIGHT: And I will expand at that time. I just would like to make a few comments on arenas.

I'd like to thank you for having this process.

I think when we talk about arenas, we have to think about the impact on taxpayers. We are talking about a new arena, and we've talked about the Yankees and Nets and what they want, and they say they're going to leave. But what we have to look at is what the taxpayers can afford.

And I think, and I'm making-- I'll have full comments later that I'll hand out. I'll go very briefly here.

I think that the current transaction is built on a lot of questionable assumptions that need to be articulated and debated because it impacts us going forward.

I believe that the current arena proposal is a risky deal for taxpayers, and here are the questions that need to be answered. Where is the purchase agreement on the land? If we have not seen one, where is the engineering study? If there-- I have not seen one. Where is the engineering study on the cost of the building of the proposed sites? What are the costs of any environmental cleanup? Until those questions are answered, a \$350 million price tag is a highly speculative number.

As we discussed about the Continental Arena so strongly today, what is the demand for the product? The YankeeNets say we need a new arena with many more luxury suites so that they can pay millionaire athletes millions of dollars more per year and have the residents of Essex County foot the bill and New Jersey foot the bill.

Until the YankeeNets actually start selling rights to premium seats and luxury suites, the cash flows, which are expected to pay off the debt, are highly uncertain and not to be relied upon. The team says it can attract more corporate clients to Newark. Instead of spending millions of dollars lobbying the Legislature, why not begin marketing suites to prove their point?

SENATOR LESNIAK: Excuse me, if I may. The proposal that you're talking about-- It's my understanding that they're nonrecourse bonds.

MS. STRAIGHT: Pardon me?

SENATOR LESNIAK: That the bonds that would be issued-- I hate to keep getting into the arena issue.

MS. STRAIGHT: I understand.

SENATOR LESNIAK: But it's my understanding that what has been proposed is nonrecourse bonds.

MS. STRAIGHT: Well, we don't have-- Until you have an actual bond financing in front of you, you don't know what it is. There's been no sign transaction.

SENATOR LESNIAK: Well then maybe I ought to--

MS. STRAIGHT: And I think the point is--

SENATOR LESNIAK: If I may-- Maybe I ought to ask the sponsor of the bill that we're talking about -- if that's his -- that would be his position.

SENATOR KENNY: The answer is yes. And that's why we are going to have a hearing specifically with respect to the Newark Arena financing to be scheduled, hopefully, as soon as possible. And that's the purpose of that hearing -- is to discuss financing of the Newark Arena. That's not the purpose of this hearing today, which is about the Meadowlands.

MS. STRAIGHT: If I may continue--

SENATOR BARK: You may continue, certainly. However, as Senator Kenny said, and I said at the outset, this is really on the Meadowlands. And I think you can be very--

MS. STRAIGHT: Let, me-- Let me--

SENATOR BARK: --informative on the Meadowlands, too.

MS. STRAIGHT: Senator, I respect that. Let me hand in my testimony today to you, and I will be back.

But I'd like to follow up with one point.

SENATOR BARK: Sure.

MS. STRAIGHT: And I'd like to congratulate the members of the Legislature that were here in 1987, they made the right choice. Those members -- and they include Senator Cody, former Senator DiFrancesco, Senator Gormley, Senator Lesniak, former Senator Lynch, Senator Rice, together with 23 colleagues. In a vote of 29 to 10, they voted to place a referendum regarding the issuance of \$185 million of public financing on a major league stadium on the ballot.

They should do that again.

SENATOR LESNIAK: All right. Since my name was--

MS. STRAIGHT: I will end my comments.

SENATOR LESNIAK: Thank you.

But since you mentioned my name, I wanted to mention that I voted for that because it was public financing. We're not talking about public financing.

Thank you.

MS. STRAIGHT: Just let me say that I respectfully disagree with you, and particularly--

SENATOR LESNIAK: Well, you can't disagree. I'm sorry, you can't disagree with me because it's Senator Kenny's bill. It's not your bill. He just said it's not going to be public financing. It's going to be nonrecourse financing.

MS. STRAIGHT: Would the Senator comment on the aspect as it relates to taxpayers in Essex County and that component, which has not been fully articulated?

SENATOR KENNY: That will be addressed at the hearing where we discuss arena financing.

MS. STRAIGHT: Okay. Thank you very much.

SENATOR LESNIAK: Let's see. I'm going to take this at random.

Barbara DeMarco Richie, from the New Jersey Thoroughbred Horsemen's Association. Is she here? (affirmative response)

Barbara, your testimony is about the Meadowlands?

BARBARA DeMARCO RICHIE: Yes. Actually, I'm going to submit what I have previously given you, and I'm going to talk a little bit about a different issue.

SENATOR LESNIAK: No, you can't. With all due respect, we have so many people here to testify.

MS. DeMARCO RICHIE: Actually, it is a solution for the Meadowlands.

SENATOR LESNIAK: That's unique.

MS. DeMARCO RICHIE: That is putting slot machines at the racetrack and the convention center.

I support what Senator Littell said earlier.

Right now, our estimates show that if you put 5000 slot machines at the Continental Arena -- retrofitted it -- it would produce \$600 million a year. Now, everyone's big concern is that that's going to impact Atlantic City.

The New York legislature has passed legislation to allow slot machines.

SENATOR LESNIAK: Barbara, I would suggest that you get somebody to introduce that bill, and we could take it up. Senator Gormley, I'm sure, would be very receptive, maybe to be co-sponsor. (laughter)

MS. DeMARCO RICHIE: If I may, Senator Lesniak, I'd like to present you with an article that appeared in *Blood-Horse* Magazine that has exactly the totals all the racetracks are making around the country with placing slot machines not only at their racetracks, but facilities that are adjoining the racetracks.

We are going to be losing a great deal of our slot machine patronage in Atlantic City to New York and, eventually, Pennsylvania. We've already lost it to Delaware.

SENATOR LESNIAK: Okay. Thank you.

MS. DeMARCO RICHIE: The place to put it is in the Meadowlands.

SENATOR LESNIAK: I don't disagree with you to a great extent, although I'm not sure that having slot machines when Brittany Spears performs is quite a good idea.

Let's see. David Mallach, Jewish Federation of-- He's not here.

Reverend Jackson is here, but he wanted to testify on the arena bill, so, Reverend Jackson, we're going to save that for another day.

Jeff Tittle of the New Jersey Sierra Club. Is Jeff here? (no response)

Michael Drulis, New Jersey Society of Environmental Economic Development. Michael, are you here? (no response)

See how I move the agenda along when I'm Chair?

William Mullen, New Jersey Building Trades Council. William. (no response)

Tom DiGangi, as well, from the Building Contractors Association.

Somebody's approaching the bench. I'm sorry, the witness table.

WILLIAM T. MULLEN: Thank you, Mr. Chairman and the rest of the Senators.

I'll be very brief.

My name is Bill Mullen. I'm the President of the New Jersey State Building and Construction Trades Council. We represent over 100 men and women who work on the construction projects here in New Jersey.

This bill about the soccer stadium in Harrison that, I'm sure, is also going to entail something with the arena in Newark and the revitalization of the Meadowlands is just the right thing to do in New Jersey.

As has been said before, we don't need to miss this opportunity. I'm sure the Yankees, Devils, Nets, from my understanding -- that they can get a better deal in Connecticut--

From my understanding, also, and I'll leave it up to the experts -- that the financing will have a very minimal impact on the residents of New Jersey.

SENATOR LESNIAK: Will you please concentrate on the Meadowlands for today?

MR. MULLEN: Yes. Absolutely.

The Meadowlands itself is probably the most valuable land in the country. The opportunities that can be there for New Jersey to generate moneys to put people to work, which is my concern, are great.

The construction industry in New Jersey is one of the biggest engines that drives the economy here in New Jersey. With the problems that are happening on Wall Street today, I think New Jersey's going to need this economic boost in the years to come because we're talking before anything does get built -- whether it's in the Meadowlands or in Newark or in Harrison -- it's going to take years.

The outlook for this country, with what's happening in the Wall Street environment, is not a positive outlook.

As far as elected officials, we elect them to make decisions for my members and for all the members in New Jersey -- not to hide behind referendums -- to vote the way it should be vote-- If the people don't like the way you vote, we'll vote you out of office. All these people want to hide behind referendums. Make the decisions that are right for New Jersey.

Politics play a big part in everything. I see that Mr. Schundler is here -- that just lost the election for governor. I'm sure he's going to make a political issue out of this, also. This should be put aside.

Thank you for my remarks. Do the right thing for New Jersey. It is the right thing. And I think everybody in this room knows that.

SENATOR LESNIAK: Thank you.

We now have--

William.

Senator.

SENATOR KAVANAUGH: Can I just ask you a question?

MR. MULLEN: Sure.

SENATOR KAVANAUGH: How many members do you represent?

MR. MULLEN: Around 100,000.

SENATOR KAVANAUGH: You said 100, so I thought your membership would be somewhat upset.

MR. MULLEN: I said 100? I'm sorry, sir.

SENATOR LESNIAK: All right, we'll clarify that for the other 99,900 who felt left out.

We now have Commissioner Fox to testify with regard to the transportation issues of the Meadowlands.

Commissioner Fox, this is your, I believe, first opportunity to testify before a Committee that I'm co-chairing. Is that correct?

COMMISSIONER JAMES P. FOX: That's right, Senator.

SENATOR LESNIAK: A former resident of the great city of Elizabeth.

COMMISSIONER FOX: That's correct, sir.

SENATOR LESNIAK: Born in the city of Elizabeth.

COMMISSIONER FOX: That is correct.

SENATOR LESNIAK: Very well.

COMMISSIONER FOX: And my family still live there.

SENATOR LESNIAK: Thank you.

COMMISSIONER FOX: Thank you.

I just wanted to stop by and thank you for having me.

As Commissioner of the Department of Transportation, I'm pleased to be here this afternoon to talk about the proposals for future development of the Meadowlands.

Where most see a chance to transform the Meadowlands, I see the opportunity to improve the quality of life for the millions who live and work in the entire region. This is an opportunity to create a master plan with proper development to address our transportation needs, whether they be road improvements or mass transit.

I began my career in Bergen County and am very familiar with its transportation problems: severe congestion, the lack of rail service, and an aging infrastructure. No area of the state has a greater need for relief.

Any plan for the Meadowlands can and should be mapped out with the bigger picture and the future in mind. By using our smart growth principles to plan for the immediate future of the Meadowlands, we will also be planning for generations to come. The options are many: bus service, extension of heavy rail service, improved connections to the Turnpike, and the reconfiguration of Route 120.

The decisions will be important and expensive, but the most important thing for us to remember is that this is a critical opportunity. The Department of Transportation, the Turnpike, and New Jersey Transit will work together. We will also explore private/public partnerships.

This is an opportunity for us to enlist the help of private developers in funding some of the needs we're going to have to address soon. And I know all of us here will work together. This issue has no partisan lines.

I've already had the opportunity to talk and work with many legislators from both parties on this issue, particularly in Bergen County. And I look forward to working with the members of this Committee.

I believe it's in everyone's best interest to develop the Meadowlands and address transportation issues in the region that have been ignored for too long.

I do believe, quite frankly, that has the exciting opportunities to take a possible development plan with the private sector and have them be a

partner with us in paying for some of these needs, which are very expensive, particularly the rail options.

I believe that, as we know with our budget in transportation and Transportation Trust Fund limitations, this is, in fact, an opportunity and one that I believe we should seize.

Thank you very much, Senators, for having me. If you have any questions, I'll be more than happy to answer them.

SENATOR BARK: Good afternoon.

COMMISSIONER FOX: Hi, Senator Bark. How are you?

SENATOR BARK: It's nice to see you.

COMMISSIONER FOX: You, too, ma'am.

SENATOR BARK: Does anyone have any questions of Commissioner Fox? (no response)

Wow. I guess you're going to get off easy.

COMMISSIONER FOX: Well, thank you very much.

SENATOR BARK: Thank you so much for coming.

COMMISSIONER FOX: Thanks for having me.

SENATOR BARK: Carol Fulton, Associated General Contractors. (no response) She is in favor, or he is in favor. I don't know which Carol that is.

Phyllis Elston.

Not here. Oh, she is here. I'm sorry.

PHYLLIS R. ELSTON: I left and came back.

Thank you, Madam Chair and members of the Committee.

I'm here to testify today just as a private citizen expressing my concerns over the proposed legislation.

I am far from pretending to understand the bonding language and such that's contained in the bill, but my concern just focused on a couple of main features that were of concern to me.

Based on my past 30 years in government as an elected official, a lobbyist, and a legislative aide, my concern centers on, first, the creation of all powerful being in the Treasurer's Office. It would seem to me in the state that we're in today, the Treasurer has a lot to do without having sole charge of passing upon each and every one of these proposed development plans that appear on his or her desk.

Secondly, it seems of even more concern to me that it creates an all powerful developer, who, once that proposed development plan -- SED development plan is concerned -- has leeway to even move railroad tracks that may be on the site where the proposal is.

There is very little provision in the bill that I found for public participation. I did hear this morning about the advisory council that will be working with the Meadowlands group. But on the proposal in the bill, there are, other than the ex officio members on the advisory body, only four public members, all appointed by the Governor.

It seems to me that what has been and what is perceived for better or worse as an insiders game becomes more, indeed, of an insider's game with this kind of public participation being absent.

The money supported the project -- predicated on the unknown moneys that would be proposed by these taxes--

It just reminds me of the current delimma we face with E-ZPass, which was based on nebulous funding, and which I don't have to tell you, is in deep trouble.

It would seem that the only fair and sure way for elected officials on the State and the county and the municipal level -- and, by the way, there's tremendous power in the municipalities and the counties, too -- or tremendous responsibility if they are the proposers of these SEDs -- in order to satisfy the desires of the people who elected them, it seems that it would only be fair to put questions like the arena question before the public and seek approval for these projects in the referendum -- by referendum in the voting booth and not by way of the already overburdened Treasurer's Office struggling, or worse yet, perhaps not struggling, to approve a complicated product -- development plan in the 60 days that the bill allows the Treasurer.

Thank you.

SENATOR LESNIAK: Madam Chair, if I may, I just want to repeat myself. It seems to me to be falling on deaf ears. The proposal is not for public financing. It's for nonrecourse bonds that the bond holders would be at risk and not the taxpayers of the State of New Jersey.

MS. ELSTON: Well, I--

SENATOR LESNIAK: I'm not finished. I just want to repeat that. If people continue to ignore it, I'll repeat it over and over again.

Thank you.

MS. ELSTON: Thank you.

SENATOR BARK: Albert Dearden and, perhaps, JoAnn. Are you both here? (no response)

All right. We'll move on to August Scotto. Is that person here?
(no response) No. Okay.

Kevin O'Brien.

K E V I N O' B R I E N: Good afternoon, Madam Chairwoman and members of this Committee.

I'm the President of the Stagehand's Union at the Meadowlands Local 632, IATSE. I'm also a working member of the Hollywood Cinematographers Guild Local 600 under the same international umbrella.

In addition to serving as Local 632's president, I'm employed by the NJSEA as a constant rigger and lighting technician at the Meadowlands Arena and Giants Stadium.

Past Senator Jack McCarthy's son Michael is in our Local. Michael was supposed to be here with me today, but I think he's got a screening somewhere in eastern New Jersey right now.

Over the years, as all crafts represented at the Meadowlands, the stagehands have enjoyed harmonious and reciprocal relationships with the NJSEA. We represent the projectionists, Vari-Lite programmers, riggers, lighting designers, technical directors, wardrobe personnel, stage managers, stage electricians, flymen, sound engineers, pyrotechnicians, video engineers, and grips.

We are the behind-the-scenes artists and technicians to construct and execute theatrical shows and concerts. We also operate spotlights and set sound and lighting during numerous sporting events, hockey and basketball included, at the Meadowlands.

We are known worldwide in our business as the can-do local. We pull off flawless shows against insurmountable odds. We count amongst our ranks, stage managers and technicians who are touring with name artists and performers. Most of these talented craftspeople hone their skills at the Meadowlands. I'm here to put a face, so to speak, to all of these craftsmen.

Nowhere in my experience has the show maxim the show must go on actually been more apropos. A year ago this past Monday I was down here at 2:30 in the morning when the legislature adjourned. And driving home, I thought of a friend of mine, Kevin Finn. I don't know if you remember Kevin. Kevin fell to his death at the Meadowlands a year ago last week. It was right before the performance of Michael Flatley.

Kevin was going up climbing a truss spot. He had a heart attack. Michael Flatley came back stage and asked the crew-- He didn't ask the NJSEA. He didn't ask the promoter. He asked the crew-- Flatley asked the crew members if the show should be canceled, and they answered no, according to Joe Villani, business agent of our local. That shows how much the performers think about the NJSEA stagehands and technicians at the Meadowlands Arena.

We cannot stress highly enough how much Bergen County satellite theatrical businesses would be negatively impacted if the Meadowlands Arena were not to function as a live concert and theatrical venue.

In addition to the hundreds of theatrical technicians we represent during each concert function, we also represent union shops in Wanaque, New Jersey, which receive offshoot business from the Meadowlands. Westsun Lighting and Masques Sound and Recording to name two. A third company

in Midland Park owned by one of our members, J.D. Flagpole Rigging and Restoration, is also included in this category.

In the case of Westsun Lighting and Mask Sound and Recording, a part of the equation to keeping labor costs reasonable is that the workforce in these shops leave after their shifts at 5:00 to take work calls at the arena and at Giants Stadium. The close proximity of these shops to the Meadowlands adds to the ease with which employees can earn extra income by working these show calls.

There are serious reservations that if the arena were to be relocated, these same Wanaque employees would traverse as readily, nor would they make their call time punctually.

Furthermore, I just received a report from our accountant yesterday. Local 632 is the sole shareholder of 642 Productions. That production company was started to handle offshoot business. We operate the spotlights at the arena, football games, the Gladiators, the Nets, the Devils, and the Storm lacrosse team. The union routinely assesses the financial strength of its members employers based upon factors surrounding theatrical and motion picture exhibition industries and its geographical locations.

A substantial portion of the Union's revenues are received from union members employed in these industries which are dependent upon the stability and the environment of the area economy. A downturn in these industries would affect revenues.

The revenues for 642 Productions in the year 2000 was \$384,209. In the year 2001, it was \$562,699, a direct increase due to the ancillary arena events surrounding the NBA, the NHL, lacrosse, and Gladiators.

From personal experience, as one who rigs tons of theatrical lighting effects and sound equipment from the girders in the I-beam of the arena, the building is an excellent structure for installation of shows. I'm not debating what CEO George Zoffinger said earlier. I think, financially, there are problems, and it's becoming harder and harder to maintain the building.

We invite anyone on the Senate Committee to view a concert loaded and prerigged from the vantage point of the arena roof. It will be an eye-opening experience.

Touring stage managers, who represent various artists, do a test at -- the Continental Airlines Arena is one of the most efficient in the nation with which to load into, rig, perform, and load a show out of. This really says much more about the present NJSEA workforce as it does the building.

Hank McHugh, the stage manager for the Dave Matthews Band, throws a backstage pig roast for the NJSEA stage crews at \$10,000 a pop every time Dave Matthews plays at the Meadowlands. He does that for no one else in the country.

Hank's feelings are that the Meadowlands' crews are the only ones that can pull off the shows, including Zootopia, which he just stage managed and the Three Tenors.

Brittany Spears just loaded out the other night. We beat their record. Two and a half hours was their record. We beat it by 10 minutes. This was important because the road crew had to be in Massachusetts the following morning to load in at 8 a.m.

It is for the aforementioned reasons that Local 632, IATSE would prefer that the Continental Airlines Arena remain a viable venue for sports, live concerts, and shows.

However, as a politician myself, I realize that politics is the delicate art of compromise. In the inevitability that this proposed legislation advances, Local 632 would be receptive to the following: that the current NJSEA workforce should have first right of refusal for employment at the Newark Arena.

If I may expound on this very briefly, and then I'll finish--

SENATOR BARK: Yes, very briefly. You've had about six minutes. I'd ask you to wind up.

MR. O'BRIEN: Thank you.

While it is apparent that the NJSEA reserves the option to keep Giants Stadium available as a concert venue in the recent RFP that went forth, this same labor force that also services the Continental Airlines Arena has no guarantees to this effect.

However, it is our Union's view that if we are being asked to subsidize this new venue with taxes -- call it what you will -- creation of a new tax district, then the employees who have serviced the NJSEA have no recourse but to ask our State Legislature for redress.

In a somewhat similar situation, food service and betting window employees were offered first right of refusal of similar employment when off-track wagering facilities were opened in close proximity to racetracks that were slated for closure.

I do have copies of that legislation. We will-- I'm going to have one of my Assemblymen try to introduce an amendment to this bill later on if that's a possibility.

If the Meadowlands Arena--

SENATOR BARK: I think that's fine.

One statement is a summary. One sentence.

MR. O'BRIEN: If the Meadowlands Arena is to be supplanted by a new arena, via new State legislation requiring new taxes, whether in Newark or elsewhere, such an amendment to this legislation is the least that our Legislature could offer to those employees who have shined so brilliantly in their quest to give the public the premiere concert, sporting, and exhibition experience that the Meadowlands is known for.

Thank you, Madam Chairwoman.

SENATOR BARK: Thank you for your comments.

Are there any questions by the Senators?

Senator Kavanaugh.

SENATOR KAVANAUGH: While we have an expert here-- I've always wanted to know what a grip was. What is a grip?

MR. O'BRIEN: Grips and gaffers are the most frequent questions I get. A grip is a specialized laborer who actually is specifically asked to perform a task in a given setting. Let's say, for example, if he's asked to do pyrotechnics, there's a head of the department above him, and he does the actual work. The pyrotechnics master just assists and supervises. The grip actually does the work.

SENATOR LESNIAK: He's a specialized laborer.

MR. O'BRIEN: A specialized laborer, correct.

SENATOR BARK: Thank you.

Is that it? (affirmative response)

Anybody else? (no response)

Thank you very much.

MR. O'BRIEN: Thank you.

SENATOR BARK: I'm going to recall August Scotto because I understand he was here when I called the first time, and he just didn't manage to get up here.

AUGUST SCOTTO: Good afternoon.

My name is August Scotto. I'm a senior who lives on a Social Security check.

I'm not asking for anything. Just cut spending because government produces nothing. So when you take money out of the economy like taxing businesses, you hurt we seniors, and then businesses increase their product -- the cost of their products because of the taxes which we seniors must then pay for the businesses.

Now, I'm not asking you to give money to millionaires, but when the millionaires that own sports clubs want an arena, don't take the money from the people to give to these millionaires. Let them build their own arena. They have their money. They can build their own arena.

It's a sacred thing to spend other people's money like you all do. But I know that spending other people's money is more fun than sex.

SENATOR BARK: Oh, no. I don't know about that. (laughter)

SENATOR LESNIAK: Speak for yourself.

MR. SCOTTO: So, please don't build the arena for the sports millionaires.

I thank you.

SENATOR BARK: Thank you for your comments.

Hesham Mahmoud, is he here? (no response) Okay, he's not.

Shawn Lavery.

SHAWN LAVERTY: Thank you for the opportunity to speak before you.

I have a literal definition of brief, so I am going to hold to that.

SENATOR BARK: Good. I appreciate that.

MR. LAVERTY: So, I will prove that it can be done.

I want to give thanks again for the opportunity to come here. I come here today not as a member of trade group or labor interest, but as a private citizen from South Orange, New Jersey, concerned about the financial crisis that faces this state.

I urge you all in this Committee, in the strongest terms, to vigorously oppose this legislation. I believe it is wrong to ask the taxpayers to--

SENATOR LESNIAK: Just wait a second.

MR. LAVERTY: What's that?

SENATOR LESNIAK: What legislation are we talking about because this--

MR. LAVERTY: On my form, I--

SENATOR LESNIAK: I'm not finished. This meeting is with regards to a proposal for the Meadowlands, whether to redevelop it, keep it as it is, or whatever. And that's what the purpose of this Committee meeting is.

MR. LAVERTY: I appreciate your guidance, Senator, but I did travel a long way from South Orange, New Jersey. I was under the impression that we were going to talk about the legislation S-1401. I believe my statements pertain. And again, I will be brief. If you'll let me continue, I'd appreciate that.

Again, I urge you all to vigorously oppose this legislation. I believe it is wrong to ask the taxpayers to fund this project. I know Senator Lesniak may disagree -- Senator Kenny-- But I believe when the State issues bonds, that is public financing, especially in the light of the fact that we are cutting municipal aide across the state--

At the very least, I think reasonable people should agree that this legislation can be put before the people in the form of a referendum. Let's send a signal that we have our priorities in order, reject S-1401, and put New Jersey taxpayers ahead of sports team owners and other special interest groups.

Again, that's brief enough. I appreciate the time.

SENATOR BARK: Thank you. You did it under five minutes, and I'm certainly appreciative.

MR. LAVERTY: Thank you.

SENATOR BARK: Next, we have John Barrett, from Brick Township. Is he here? (no response) I don't see him, so we'll move on.

Sherwood Marlowe. (no response) He is not here.

We have, also, Brett Schundler. Is he here? (affirmative response)

BRETT SCHUNDLER: In the year 2005, the debt service on the sports complex drops by about \$20 million to just \$3 million and some. So I think it's odd that we're thinking that we have such a catastrophe that we'd

have to build a new stadium and incur all this new debt. We are about to get out from under this tremendous burden.

Right now, you're losing about \$4 million per year in operations on the arena, but you're gaining more than that in sales taxes and other revenues if you were to include that money, which is currently going to the Treasury.

Now, what's being proposed is that instead of having that money go to the Treasury, the sales taxes, etc., it will go towards building this new arena but not just the money from the sales taxes generated at the arena site itself, but also from businesses that are neighboring and adjacent to it.

In short, you're going to be taking significant amounts of revenue that would alternatively be going to the State, and you're going to be giving it over to a private business.

Now, if you look at the procedures that have been used by the State of New Jersey to attract jobs to this state and to our urban areas, what we have done, historically-- We have tried to target new jobs, not jobs that are already here in the State of New Jersey.

Secondly, we have decreased the taxes that we get from those businesses for the Treasury. But we still had them paying us, and they've still been paying municipalities. As an example, if you look at the Goldman Sachs deal in Jersey City, the city of Jersey City gets a tremendous amount of money from Goldman Sachs, and so will the State of New Jersey. So, we are net beneficiaries.

I might add, the revenues we get are far greater than the service costs required of the State or the municipality in connection with this new development. We are big profiteers, if you will, from this new development.

When we look at this new arena proposal, what you're talking about is having a situation where there won't be new jobs. These are existing jobs again. You won't be taking money in. In fact, you'll be giving away all the sales tax income not just from the arena site, but from adjacent businesses, as well, and you will end up with a situation where the State and the municipality -- Newark -- will incur costs. Just traffic policing alone will be very expensive. And you won't have revenues coming in to cover that.

Ultimately, the State will have to give Newark more money to cover its increased policing costs. So, what you will have, in short, is a significant financial loss to this State.

Right now, when we look at the Meadowlands-- I agree with Richard Fritzky. I agree with Candy Straight. We can go ahead with master planning the Meadowlands. That doesn't mean you have to take down the arena. It seems to me that would be crazy to tear down a facility which is finally about to become less of a burden because of a decrease in debt service and to tear down a facility, again, which, when you include sales taxes right now, actually isn't losing money for the State of New Jersey. Doing this is a significant cost.

If I could just sum up in one last thought, I'd like to leave with you--

What, in effect, the McGreevey administration is proposing for with this Newark Arena is to allow businesses to operate in a zone where

within that zone, they will pay no sales taxes to the State. The arena won't pay property taxes to the municipality. There was even the earlier discussion of income taxes being given out.

Now, if you just create a super UEZ in Newark where you have no taxes, you'll get far more jobs created. There will be jobs that earn much higher salaries for a lot more people, not just \$4 million for 12 Nets, but a lot more money for a lot more people.

In Jersey City alone, in the Colgate Redevelopment -- we have 30,000 people who will be working there. That's not a sizably bigger amount of acreage than what we're talking about in Newark.

What I'm suggesting, in short, is that if you want to create a tax-free zone because you think that's worth it to help Newark, then do something that will really help Newark, that will create lots of jobs. Don't do something that will help, principally, some property owners, some team owners -- but in the long run, won't create the maximum number of construction jobs or other income-producing long-term opportunities.

If the real issue is to keep the Nets and Devils here -- if that's the real issue -- if you need to put that kind of incredible package on the table where it is going to cost state taxpayers money at the end of the day, let the people decide whether they want their money to be spent that way.

That is the ultimate point that almost everybody on my side of this issue who opposes this proposal is suggesting. Let the people have their say because at the end of the day, this is going to cost them a lot of money. And if it's worth it to them, they'll vote for this proposal. If keeping the Nets and

Devils here is not worth it to them, they won't vote for this proposal. And you just might find out that even if we don't vote for it, they'll stay here anyway.

SENATOR BARK: Thank you.

Questions?

SENATOR KENNY: Yes. Good afternoon, Mayor.

MR. SCHUNDLER: Hi.

SENATOR KENNY: What is being proposed here is an incremental sales tax that, but for the creation of these three sites would, not otherwise be collected. And I do take issue with your statement that businesses not in the zone would be contributing to this revenue stream, which is not the case.

MR. SCHUNDLER: Senator, I'm talking about businesses in the zone that are not the arena.

SENATOR LESNIAK: Wait, I'm going to take a prerogative of the Chair here.

There is no question.

SENATOR KENNY: That is not the case.

And let's say, again, as Senator Lesniak has said many times, the bond package that Candace Straight illustrated there from the 1980s-- That was to allow the State to sell \$185 million in general obligation bonds to finance the construction of the baseball stadium to be operated by the State of New Jersey.

That is also not the case with respect to this legislation. These are not general obligation bonds. The full faith and credit of the State of New

Jersey will not be pledged, and the risk will be borne by the bond holders. And that's been repeated many, many times.

And you are a very intelligent fiscal analyst, and you know the difference.

Third, the city of Jersey City, of which you were the mayor for eight years-- You took full advantage, and arguably to your credit, of a number of tools that were created by this Legislature, such as the tool that we're talking about today, which did not go to the voters of the State of New Jersey to be put on a ballot, such as, as Senator Littell eluded to earlier, Fox-Lance-- You took advantage of these tax abatements that directly benefit developers at the expense of Jersey City taxpayers.

You also take advantage, in Jersey City, of pilot payments, which inure to the benefit of Jersey City property taxpayers, but not Hudson County taxpayers. That was a choice of yours.

You were the beneficiary of the legislation sponsored by myself and Senator Kyrillos, the business employment incentive programs, which gives grants of moneys to people to come to the State of New Jersey to do business. Over \$317 million of these grants have been given to people to come to the State of New Jersey to do business. And you know as well as I do where those funds come from and how those grants are developed. And those are moneys that otherwise would go to the State of New Jersey. And you're very concerned about the State of New Jersey receiving or not receiving money, but you took full advantage of the BEEP program.

The fact of the matter is, I think Mayor James, the Mayor of Newark, might have a better idea of what is in the interest of Newark than you

do. You took advantage of State grants, State tax diversions, considerable bonding. You took advantage of the urban enterprise zones, which is, again, taking sales tax moneys that would otherwise go to the State of New Jersey and putting them back into Jersey City, something we all support.

But yet, when it comes to Newark, the former mayor of Jersey City does not think it's important for this Legislature to develop a mechanism such as incremental sales tax, to benefit that arena and the economic development of northern New Jersey.

But when you were mayor, you felt it was fine to take advantage of every tool you had your disposal, but you want to deny Mayor James to receive the YankeeNets organization, which wants to affirmatively come to the city of Newark. It's not Mayor James that has created this opportunity. It's the owners of these major franchises that want to come to the largest city in the State of New Jersey. And so we create a revenue stream that is not supported by the full faith and credit of the State of New Jersey. That is an incremental sales tax that is used in 18 other states in this country. That revenue stream will support the development of these economic proposals, not only in Newark, but also in the Meadowlands and in Harrison.

So, it's important that this discussion was supposed to take place and will take place in more detail at the hearing that is dedicated towards the Newark financing of the arena.

But all we're doing, ladies and gentlemen, here, is talking about creating a mechanism not unlike the Fox-Lance tax abatements, not unlike the urban enterprise zones, not unlike the business employment incentive

program, not unlike local tax authorization acts where municipalities can get the taxes directly from hotels and parking lots and alike.

So, this is not a novel concept. This is, as the Senator -- the Chairman of the Budget Committee on the Republican side pointed out -- we do this all the time to encourage economic development. What we're suggesting here today is that we develop an incremental sales tax to fund these three sites. And it is very, very consistent with a number of major pieces of legislation that the former mayor of Jersey City vigorously employed during his stewardship of that city.

Thank you.

MR. SCHUNDLER: They're not consistent, Senator.

Again, the simple fact--

SENATOR BARK: I really have to intervene here because we're getting off of the Meadowlands. And I allowed Senator Kenny to go on on issues that were not Meadowlands but were more global because it is his legislation.

I'd like to get the hearing back on the Meadowlands and, certainly, you're all invited to come back to the other ones when--

The fact is that--

MR. SCHUNDLER: Senator, the one thing I would request--

SENATOR BARK: I will allow you one response, but then Mayor James has a question, and I will go to him.

Please make your response very short and very quick.

MR. SCHUNDLER: I was just going to say that the actual notice on today's meeting does not say it will be about the Meadowlands. It says it

will be about the creation of sports and entertainment districts. It is difficult for people who are not--

SENATOR BARK: The fact is, we decided to do it this way because it seemed more plausible. I appreciate you pointing that out.

MR. SCHUNDLER: I do want to request that you might have these hearings when you do talk about the SEDs in the evening because it will be easier for people who are not professionally employed as lobbyists to be here.

SENATOR BARK: Thank you.

SENATOR LESNIAK: I'm going to respond to that. You don't have to-- You can go.

There haven't been any lobbyists who have testified before this Committee. And I consider that a personal cheap shot to the members of this Committee.

SENATOR BARK: Well, I'm going to go on now to Senator James.

SENATOR JAMES: Mr. Chairman, thank you.

Mayor Schundler, let me thank you.

You and I have met in both Jersey City City Hall and Newark City Hall. We've been at many functions together. And I never knew your position against sports entertainment districts nor opposed to an arena being built in the city of Newark.

We've been, on many occasions -- only when the Governor took a position for, during your candidacy, you took one opposed.

Let me specifically address some of your remarks and concerns. Number one, I believe you stated incorrectly, and I stand to be corrected. You said that New Jersey will lose sales tax by moving to build a facility in the city of Newark. It would take the loss of sales tax.

I think you're incorrect on that because I believe the legislation states that the sales tax will go from 3 percent to 6 percent. It's only the 3 percent increase that will be used to pay down the debt of the city. The local government and the State of New Jersey still receive their portion on the first 3 percent, which is in effect today.

And I think I would have to correct you to say that the same arguments you use in your municipality, correctly so, for Fox-Lance tax abatement and other arguments that--

SENATOR BARK: Senator James.

SENATOR JAMES: --take a vacant lot to increase revenue--

SENATOR BARK: Senator James. I'm sorry, I'm going to have--

SENATOR JAMES: I'm answering his question.

SENATOR BARK: I know, but I'm trying to--

SENATOR JAMES: Madam Chair, he made a statement that the State of New Jersey would lose sales tax, and I disagree with him.

SENATOR BARK: And I'm trying to keep him on the Meadowlands, and I want to keep everybody else on that point.

SENATOR JAMES: But wait. Madam Chair, I've listened to all the arguments all day.

SENATOR BARK: All right.

SENATOR JAMES: I heard people come up here and make political shots.

SENATOR BARK: Everybody, please try to keep your comments to the Meadowlands.

SENATOR JAMES: He made specific statement that the State of New Jersey will lost sales tax. And I'm trying to respond to that issue, which is an incorrect statement.

SENATOR BARK: All right. Answer the statement, and then-- I will let you answer that statement, but try to keep your remarks on that issue.

SENATOR JAMES: I'm on the issue.

MR. SCHUNDLER: Senator.

SENATOR JAMES: He used the argument--

MR. SCHUNDLER: The State gets 6 percent sales tax now in the Meadowlands.

SENATOR LESNIAK: Wait, wait, wait. Senator James, you have the floor.

SENATOR JAMES: --that he would lose sales tax. I think that's an irresponsible statement that should be addressed. Three percent -- the increase is used to pay down the debt. State and local government will still receive benefits from the first 3 percent. And you know that's correct.

MR. SCHUNDLER: The State makes 6 percent at the Meadowlands.

SENATOR JAMES: And if you do not have a facility, you would not have revenue. So that fact that you--

MR. SCHUNDLER: You have a facility now. You have revenue now.

SENATOR JAMES: Did I interrupt you?

SENATOR LESNIAK: Will the witness please not interrupt the Senator?

MR. SCHUNDLER: I'm sorry, Senator. I apologize.

SENATOR JAMES: Did I interrupt you?

MR. SCHUNDLER: No, go ahead, Senator.

SENATOR JAMES: So show some respect. If you're going to politick, at least show respect.

If you do not have a facility and you build one with a domino effect of creating hotels in other facilities and the revenue goes up, then it is a correct posture to say both local government and the State receive more money, and you'd have increased funds to pay down the debt, not less. If you didn't build a facility, you would not have increased revenue. So it's going to increase both the first 3 percent and the second 3 percent, where the increase goes from 3 to 6 percent to pay down the debt.

Now, that is a correct statement, Madam Chairperson.

And I want to make one other statement.

SENATOR BARK: Senator James, I would never doubt that it was correct.

SENATOR JAMES: And I find it ironical -- the argument being made that this is horrible -- and it will be my last statement because we don't want both side -- statement that if we can finance a tunnel for (indiscernible 207) \$300 million, and there's no public outcry and there's no concern, then

that tunnel -- Senator Connors, you'd have to agree with me -- where it went through a Class 1A residential neighborhood in Atlantic City that took some of the best homes and the people opposed-- And they went into a court, and they went before the Supreme Court to argue for their homes, which this State of New Jersey collects property taxes from-- And we went ahead and bulldozed that to lose property taxes in the State of New Jersey to build a tunnel for the casino industry -- that you would not come before the State of New Jersey -- come before a hearing like this and have the same type of concern. You can't be a hypocrite on the issue. If we talk about loss of property taxes, talk about loss of revenue.

SENATOR CONNORS: You want me to respond to that?

SENATOR LESNIAK: Senator.

SENATOR CONNORS: Did you want me to respond to that?

SENATOR JAMES: No, I didn't pose the question, Senator. I agree-- (laughter)

SENATOR BARK: Well, I have to say, we're really far off the track. And I have to bring everybody back. And I'm going to start with the gavel pretty soon. Meadowlands only, please.

And if there are no other questions by any other Senator of this witness, I would say, thank you very much, Mr. Schundler for coming.

MR. SCHUNDLER: Thank you.

SENATOR BARK: As far as I'm concerned, we've been through all the names. Everyone's been called. I thank you all for coming. We will try to let the public know as soon as possible when the next--

SENATOR LESNIAK: I want to thank my Co-Chairs and the Senators, as well.

SENATOR KAVANAUGH: You've got some other people who want to testify.

SENATOR LESNIAK: Not who signed up, Senator.

KEITH S. ZAKHEIM: I was on the list since 8:00 this morning -- actually, since yesterday. I've been here since 8:00 this morning.

SENATOR BARK: I called everybody.

SENATOR LESNIAK: What's your name, sir?

MR. ZAKHEIM: Keith Zakheim, Citizens Against A Newark Arena.

SENATOR LESNIAK: Your testimony is on the arena. It will be for another day.

MR. ZAKHEIM: No, excuse me, sir. The public hearing notice states, "Authorizes creation of sports and entertainment district in certain municipalities."

SENATOR LESNIAK: I'm sorry, it's for another day.

MR. ZAKHEIM: I'm not a professional politician. I can't take off five or six days from work. I came down today and spent a full day here.

SENATOR CONNORS: Let him testify.

SENATOR LESNIAK: There will be another--

SENATOR CONNORS: You can't make the man come back. He's here now.

MR. ZAKHEIM: What does the public hearing notice say?

SENATOR LESNIAK: Senator, the four Co-Chairs agreed to a process today, and we should follow it. There will be another hearing in Newark where he can testify.

SENATOR CONNORS: What's five more minutes, Mr. Chairman? That man traveled a long way. Let him speak.

MR. ZAKHEIM: Again, what does the public hearing notice say? It's on your stationary.

SENATOR BARK: I'm going to rule, okay, because I don't want everybody else arguing about this. The fact is, we allowed one other person to testify because they had traveled a long way. He says he has, too.

MR. ZAKHEIM: As I have.

SENATOR BARK: I will give you no more than five minutes. But, sir, you're allowed five minutes and that's it.

MR. ZAKHEIM: I have a prepared statement which I would like to read. And then I would hope that--

SENATOR BARK: At the end of this testimony, the hearing is adjourned.

MR. ZAKHEIM: I would hope that as a citizen, I have a voice, as well.

SENATOR BARK: Okay, go.

MR. ZAKHEIM: Chairman Lesniak, Madam Co-Chair and Chairman Littell and members of the Committee, I appreciate you giving me the opportunity to express the views of Citizens Against A Newark Arena before you this afternoon.

I am here today representing a broad-based group of grassroots activists that are united by their opposition to the Newark Arena Plan. Citizens Against A Newark Arena is a network of committed activists that take our civic and communal roles seriously. We are bound by a shared commitment to open an accountable government.

The Newark Arena deal proposed is the type of public policy that breeds cynicism and distrust of government. We believe deeply in the vitality and strength of our form of governance and irresponsible policy such as the Newark Arena deal undermine the foundations of our democracy and sully the reputation of State government.

We will not be held hostage by corporate tycoons who think that by contributing to political campaigns and threatening to relocate our professional sports franchises, they can hijack our democratic systems and foist upon the taxpayers of New Jersey their operating costs.

Our opposition has nothing to do with politics, personal animosities, or petty grievances. Rather, it is a legitimate response from concerned taxpaying citizens who feel ignored and disenfranchised from the political process. While there are a myriad of political, social, and public policy concerns with Newark Arena proposal, as a citizen of Bergen County and a representative of a grassroots organization of concerned taxpayers I would like, with your indulgence, to address the fiscal and economic implications for the New Jersey and Bergen County taxpayer.

If I may, I would like to draw your attention to a few numbers that are germane to the case against moving the Nets and Devils out of the Meadowlands.

One hundred, sixty million dollars: That is the amount that is still left on the Continental Airlines Arena mortgage. Without the revenues produced by the Nets and Devils, the Continental Arena will become as empty as the Roman Coliseum, minus the tourist appeal.

Although I have not had the pleasure of speaking with Mr. Steinbrenner, I am confident in my assumption that he will not be paying down that debt for the citizens of New Jersey. Whether there will, at some later date, be a viable compensatory plan for the Meadowlands area is irrelevant to the question of who is going to be responsible to cover that debt. I have a sneaking suspicion that the taxpayer is going to have to make room on his or her already overburdened back to carry some more deadweight.

One hundred, thirty-eight million dollars: I am an avid capitalist and a passionate baseball fan. So, in no way do I begrudge the financial and baseball success that George Steinbrenner has enjoyed. Having said that, I don't feel the obligation to subsidize his operating costs to ensure that he makes even more money in the future.

The Newark Arena deal, as presently structured, will do nothing more than fill Mr. Steinbrenner's coffers. In fact, the *Star-Ledger* estimated that Steinbrenner and his corporate cronies stand to make \$138 million a year from the Newark Arena.

As a small business owner, I admire Mr. Steinbrenner's business ingenuity and acumen. However, as a taxpayer, I am incredulous that our elected officials can stand by and permit such an egregious case of corporate welfare.

Mr. Steinbrenner has every right to tape a fertile market like Newark. I concur that Newark is a potential gold mine that is vastly underutilized. But please insist that Mr. Steinbrenner invest his own capital into the project. He does not need middle class tax dollars.

One hundred, sixty-five million dollars: The deal recommends that the New Jersey Sports and Exposition Authority issue \$165 million in public bonds to offset the construction costs of the arena. Newark Arena advocates have tried to placate valid taxpayer concerns by pointing to the revenue produced by sales tax from the arena and a new hotel as the source of money to pay off the bonds. Where have I heard this song before?

As implausible as it may seem to you right now, what happens if ticket, parking, and concession sales do not meet expectations? Who will carry the debt load then? What is the contingency plan if, 10 years from now, King George, as *Sports Illustrated* referred to him, decides he can get an even better deal in Connecticut and decides to move the franchises? Who will bear the brunt of that tax white elephant?

In addition the sports and entertainment district, in which the revenue to pay off the bonds will purportedly be generated, would, according to estimates, have to cover almost the entire city of Newark. I wonder if the residents of Newark know that. Once again, this seems like a rainmaker for George Steinbrenner and a losing proposition for the taxpayer.

Forty-five million dollars: How will sports fans access the proposed Newark Arena? Clearly, the current traffic infrastructure in and around Newark will not support the volume of traffic that is part and parcel of hosting professional sports franchises.

SENATOR BARK: Sir.

MR. ZAKHEIM: I really would like to finish. I heard people speak for a long time.

SENATOR BARK: I know.

MR. ZAKHEIM: A lot longer than the one private citizen who has taken the time out of his schedule--

SENATOR BARK: But I have been trying lately to give everybody five minutes.

MR. ZAKHEIM: --to utilize his civic duty to speak.

SENATOR BARK: Sir, you're out of order. And because you interrupted me, and I'm the Chair, I will give you 30 seconds for you to make a closing statement.

MR. ZAKHEIM: That's going to be difficult. I'll just keep reading. If I have to end, I have to end.

SENATOR BARK: Well, you will have to end.

MR. ZAKHEIM: The deal calls for \$45 million of our state gas tax money to pay for things like road improvements, new access roads, parking, and a walkway bridge from Newark's Penn Station to the arena.

Once again, these are all great ideas and necessary if George Steinbrenner is serious about moving the Nets and Devils to Newark. I only ask that he pays for these appurtenances and leaves the taxpayer alone.

I don't have to tell you about the tenuous situation in the Middle East and the Persian Gulf and the strain it puts on gas prices. Having just filled up my tank this morning, I shudder to think what the prices of gas will be six months from now.

SENATOR BARK: This meeting is adjourned. Thank you very much.

SENATOR LESNIAK: Thank you, Senators.

(HEARING CONCLUDED)