
Committee Meeting

of

NEW JERSEY STATE LEASING AND SPACE UTILIZATION COMMITTEE

LOCATION: Committee Room 12
State House Annex
Trenton, New Jersey

DATE: June 15, 2009
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Nicholas P. Scutari, Chair
Assemblyman Reed Gusciora
Debra Bell

ALSO PRESENT:

John A. MacCalus
Office of Legislative Services
Committee Aide

Robert J. Shaughnessy
Counsel



Meeting Recorded and Transcribed by
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SENATOR NICHOLAS P. SCUTARI (Chair): Okay, greetings everyone, sorry for the delay. We'll start with the attendance and roll call.

MR. MacCALUS (Committee Aide): Okay, we're ready to call the meeting to order of the State Leasing and Space Utilization Committee for June 15, 2009. It's about 10:50 a.m.

Chairman Scutari.

SENATOR SCUTARI: Here.

MR. MacCALUS: Assemblyman Gusciora.

ASSEMBLYMAN GUSCIORA: Here.

MR. MacCALUS: Deputy Treasurer Bell.

DEPUTY TREASURER BELL: Here.

MR. MacCALUS: We have a quorum.

Notice of this meeting of the State Leasing and Space Utilization Committee was provided to the Secretary of State, the *Courier Post*, the *Star-Ledger*, the *Trenton Times*, and the State House Press on June 8, 2009, in accordance with the Open Public Meetings Act.

We may now proceed. The minutes-- Could I ask that we delay the approval of the meeting minutes until next meeting, because Senator Connors was here and we have to either get his signature or it'll fail. Either way, your discretion.

SENATOR SCUTARI: Okay, so we're just going to delay it.

MR. MacCALUS: We'll just delay it until another meeting when he's available.

SENATOR SCUTARI: Okay, good.

MR. MacCALUS: And so now we are on to--

S T E V E N M. S U T K I N: John, just one-- When I read the minutes, I think last time you didn't have the minutes approved from the previous meeting, so you might want to have the previous meeting's minutes approved now -- from two ago.

MR. MacCALUS: From two ago-- Okay, I do not have that date. Do you have the date of that meeting? I know December 11 was the last one.

SENATOR SCUTARI: We'll wait and we'll approve them all.

MR. MacCALUS: We'll delay, then we'll do them all at one time at the next meeting. How's that? And we'll get Jack Connors here and we'll do it--

And I give you Steve Sutkin.

MR. SUTKIN: Thank you, Mr. MacCalus.

We have 14 more-- We have 14 items on the agenda today. Generally broken down, we have eight items that are lease renegotiations which result in cost savings under the authority that we're given to negotiate such leases. The cumulative total of the savings for the upcoming fiscal year and the years thereafter is in excess of \$400,000 based on those four lease renegotiations. The balance are comprised of advertised procurements where we award the most cost-effective proposal. And the last one was a direct negotiation with the County of Essex to fill out some of the additional space, that we talked about last time, associated with the Judiciary lease.

So, unless there are any questions, I can go right to the agenda. I will also just update you again. I talked a little bit last time about our lease consolidation efforts, how in Fiscal Year '09 we booked \$3 million to

\$3.5 million in lease savings. And our target for the upcoming Fiscal Year '10 is an additional \$4 million in those efforts.

The first item on the agenda-- Actually the first four items-- Just to talk about it generally, the first four items relate to DCF, the Division of Youth and Family Services. The first two items are related, so I'll just give you that information.

The first item is NPL 3869, and it is an existing lease that we are currently in, pending approval of a second lease. This was a long-term engagement. The first lease-- We're currently in a month-to-month, and we've negotiated a term lease with cost savings to extend that lease up until the point where we occupy the long-term lease on December 31, 2010 or January 1, 2011. So 3869 is an extension with cost savings.

And unless you want me to submit them all for approval combined, John, I can submit each individually.

MR. MacCALUS: It's up to the Committee.

SENATOR SCUTARI: Well, let's just see.

Are there any questions on those agenda items, Assemblyman?

ASSEMBLYMAN GUSCIORA: No.

SENATOR SCUTARI: I've gone over this well in advance. I had a lot of questions that were answered, so I'm prepared to move all four together.

MR. MacCALUS: Okay, just continue on down.

MR. SUTKIN: Okay, do you want me to just reference them?

SENATOR SCUTARI: Sure, yes.

MR. SUTKIN: Okay, referencing NPL 3869, 4628, 4627 and 4518, which are items 1 through 4 on the agenda. I submit them for the Committee's approval.

SENATOR SCUTARI: Just for clarification, these are all regarding the Division of Youth and Family Services at four different locations?

MR. SUTKIN: Yes, Senator.

SENATOR SCUTARI: Okay.

MR. MacCALUS: Okay, do I hear a motion?

ASSEMBLYMAN GUSCIORA: So moved.

DEPUTY TREASURER BELL: Second.

MR. MacCALUS: Okay.

On the motion to approve -- let's see, we have lease numbers 3869, 4628, 4627, 4518. These are all for the Division of Youth and Family Services. We have one in Bayonne, Harrison, East Orange, and in Hammonton.

How do you vote, Senator?

SENATOR SCUTARI: Yes.

MR. MacCALUS: Assemblyman.

ASSEMBLYMAN GUSCIORA: Yes.

MR. MacCALUS: Deputy Treasurer.

DEPUTY TREASURER BELL: Yes.

MR. MacCALUS: These are passed.

MR. SUTKIN: Thank you.

The next item on the agenda is No. 5, Notice of Proposed Lease No. 3520. This one, as well as the next one, are the Department of

Environmental Protection-related leases. This one is here in Trenton. It involves parking spaces. We have 190 in total. It's a very reasonable rate. And it's actually \$5 less than we're paying on a month-to-month arrangement.

SENATOR SCUTARI: On agenda item No. 5, the parking deck. Is that the parking deck behind the old Department of Personnel Building? The one directly behind it?

CHARLES J. CONNERY: No, it's a surface lot.

SENATOR SCUTARI: It's a surface lot. Okay.

ASSEMBLYMAN GUSCIORA: I think this is the old Crescent Temple.

MR. CONNERY: Yes, 50 North Clinton.

SENATOR SCUTARI: Okay.

ASSEMBLYMAN GUSCIORA: And who's the owner?

DEPUTY TREASURER BELL: Edison Schools.

MR. MacCALUS: If I may, I understand that Edison is a publicly traded company?

MR. CONNERY: That's our understanding.

MR. MacCALUS: Okay. And I've talked to one of your staff who said he can get us the latest case statement within a week.

MR. CONNERY: That's no problem. Would you like that provided to you?

MR. MacCALUS: Yes, please. And then I'll make distribution.

Okay, can I get-- We can accept this conditionally upon receipt of the statement, if you so wish.

SENATOR SCUTARI: Yes, we'll accept it conditionally, but make sure that statement's received by Mr. MacCalus within a week's time.

MR. SUTKIN: Absolutely.

MR. MacCALUS: Okay, then to move--

UNIDENTIFIED MEMBER OF COMMITTEE:
(indiscernible)

MR. MacCALUS: I'm sorry?

ASSEMBLYMAN GUSCIORA: (indiscernible)

MR. MacCALUS: Did I hear somebody move it?

ASSEMBLYMAN GUSCIORA: Yes.

MR. MacCALUS: Oh, you moved it, okay. Assemblyman Gusciora moved it.

DEPUTY TREASURER BELL: Second.

MR. MacCALUS: And Debra Bell seconded it.
Senator Scutari.

SENATOR SCUTARI: Yes.

MR. MacCALUS: Assemblyman Gusciora.

ASSEMBLYMAN GUSCIORA: Yes.

MR. MacCALUS: Deputy Treasurer Bell.

DEPUTY TREASURER BELL: Yes.

MR. MacCALUS: It has been approved conditional upon the receipt, within one week, of the statement.

MR. SUTKIN: The next item on the agenda is Tab No. 6, NPL 4506, also for DEP. It's a lease in Cedar Knolls, New Jersey, and it's a renegotiated lease resulting in a cost savings, with the details described in the notebook. And we submit it for your approval.

SENATOR SCUTARI: Any questions on that? (no response)

ASSEMBLYMAN GUSCIORA: So moved.

DEPUTY TREASURER BELL: Second.

MR. MacCALUS: Okay, for the approval of lease number--

Oh, do I hear a motion? We had a motion. Okay.

SENATOR SCUTARI: Motion by the Assemblyman, seconded by the Deputy Treasurer.

MR. MacCALUS: Okay. Division of Compliance and Enforcement, in DEP, in Cedar Knolls, lease number 4506.

Senator Scutari.

SENATOR SCUTARI: Yes.

MR. MacCALUS: Assemblyman Gusciora.

ASSEMBLYMAN GUSCIORA: Yes.

MR. MacCALUS: Deputy Treasurer Bell.

DEPUTY TREASURER BELL: Yes.

MR. MacCALUS: It is approved.

MR. SUTKIN: The next item is No. 7, NPL 4061, Department of Law and Public Safety, Division of State Police. It involves the Unisys Helicopter Hangar, in Ewing. It's a three-year extension with a cost savings and, additionally, cheaper fuel costs which we'll be paying associated with that lease extension. We submit it for approval.

SENATOR SCUTARI: I just have a question. I'm assuming, based upon this unique facility, that this is not something that the State can become in the market to purchase. I'm assuming we'd need something like this for long-term needs. We've had it for over 20 years already. But

I'm assuming -- tell me if I'm wrong -- that this is not the kind of land that we can acquire.

MR. SUTKIN: We haven't done the analysis.

SENATOR SCUTARI: The only reason I ask it is because we've owned (*sic*) the land for 22 years already, and this is another three-year lease. You'll have it for 25 years. I'm assuming, based upon what I'm looking at, that it's utilized for State Police aviation usage -- that we're going to continue to need that for the future.

MR. SUTKIN: Well, I haven't looked into it. But, I mean, to the extent that there's already FAA clearances for these limited sites and all the difficulties associated with getting a helicopter site, that we would face a lot of obstacles.

DEPUTY TREASURER BELL: It may be worth noting that there was an analysis done to try and relocate the State Police Helicopter Unit over to the DMVA hangar.

SENATOR SCUTARI: Where is that?

DEPUTY TREASURER BELL: That is in--

ASSEMBLYMAN GUSCIORA: Lawrenceville. Close by.

DEPUTY TREASURER BELL: Yes, it's fairly close by. The analysis, unfortunately, proved that -- and it really had to do more with the fuel and the need to truck the fuel out to the copter. It would have cost a lot more money than to do this. So there was an analysis done; it just resulted in this being a more cost-effective alternative.

SENATOR SCUTARI: Understood. Okay, I'll entertain a motion.

ASSEMBLYMAN GUSCIORA: So moved.

DEPUTY TREASURER BELL: Second.

MR. MacCALUS: Okay, on the motion -- I mean -- yes, on the motion to approve NPL No. 4061, Department of Law and Public Safety, Unisys Hangar, Mercer County Airport.

Chairman Scutari.

SENATOR SCUTARI: Yes.

MR. MacCALUS: Assemblyman Gusciora.

ASSEMBLYMAN GUSCIORA: Yes.

MR. MacCALUS: And Deputy Treasurer Bell.

DEPUTY TREASURER BELL: Yes.

MR. MacCALUS: It's been approved.

MR. SUTKIN: The next item on the agenda, No. 8, is NPL 4621. It's an item that was discussed last time -- New Jersey State Parole Board, Whitehorse Pike, Galloway Township. The Committee had some questions. I believe those questions have been answered, unless I'm mistaken, and if that's satisfactory I'll submit it for approval.

SENATOR SCUTARI: Any further questions on the State Parole Board lease? (no response)

I'll entertain a motion.

ASSEMBLYMAN GUSCIORA: So moved.

DEPUTY TREASURER BELL: Second.

MR. MacCALUS: Okay, on the motion to approve the Department of Corrections, New Jersey Parole Board, Galloway Township, NPL 4621.

Chairman Scutari.

SENATOR SCUTARI: Yes.

MR. MacCALUS: Assembly Gusciora.

ASSEMBLYMAN GUSCIORA: Yes.

MR. MacCALUS: Deputy Treasurer Bell.

DEPUTY TREASURER BELL: Yes.

MR. MacCALUS: It's been approved.

MR. SUTKIN: The next item on the agenda is one I touched on in my preliminary remarks. It's item No. 9, Notice of Proposed Lease 4624, for the Office of Homeland Security and Preparedness, for administrative offices in the Leroy P. Smith Building in Newark, where you recall we put the Judiciary Branch last time we met.

SENATOR SCUTARI: This is a county-owned building, correct?

MR. SUTKIN: Yes.

SENATOR SCUTARI: Any further questions? (no response)

Do we have a motion?

ASSEMBLYMAN GUSCIORA: So moved.

DEPUTY TREASURER BELL: Second.

MR. MacCALUS: Okay, on the motion to approve the NPL No. 4624 for the Office of Homeland Security and Preparedness in Newark.

Chairman Scutari.

SENATOR SCUTARI: Yes.

MR. MacCALUS: Assemblyman Gusciora.

ASSEMBLYMAN GUSCIORA: Yes.

MR. MacCALUS: Deputy Treasurer Bell.

DEPUTY TREASURER BELL: Yes.

MR. MacCALUS: It has been approved.

MR. SUTKIN: The next item is for the Judicial Branch, for its Tax Court Offices, and it is a new, five-year lease for the Tax Courts in Hackensack, Bergen County.

ASSEMBLYMAN GUSCIORA: Is there a cost savings on this?

MR. CONNERY: Yes. There is actually a small amount of cost savings over what we're currently paying. But this was publicly bid. We had two responses -- one was the current landlord and one was a new landlord. The new landlord ultimately prevailed as the lowest cost provider. It's minor, but in the first two years, the cost we estimated is going to be roughly about \$2,200 less than what we're paying now.

SENATOR SCUTARI: This is a 4,000-square-foot lease. Is that what it is?

MR. CONNERY: Yes.

SENATOR SCUTARI: What's that going to cost?

MR. CONNERY: Total cost is \$80,000 a year for the first two years. There is a slight increase in the following years. This actually ties in somewhat to the Judiciary lease that Mr. Sutkin just referenced. When they vacated their space in Hackensack, it more or less forced us to procure space for the Tax Court, which has to be in Bergen County. We lost some efficiencies because they were able to share some space. The Appellate Division was there, so we had to find a unique space to house them.

SENATOR SCUTARI: How many people use this -- I mean, this 4,000-square-foot space? How many judges, how many office staff?

MR. CONNERY: I believe it's only one judge and staff.

SENATOR SCUTARI: One judge with a staff, and it's a courtroom and chambers?

MR. CONNERY: Courtroom, and there's a conference room, and probably library space.

SENATOR SCUTARI: Four thousand square feet for one judge?

MR. CONNERY: And three staff. And it is-- In terms of public use, there's some intensity there -- used constantly.

SENATOR SCUTARI: Okay. It just seems like a lot of space for one court, but okay.

MR. CONNERY: Well, 4,000 is the not-to-exceed number. Our goal, in terms of finalizing the construction plans, would be to shrink that as much as possible. So 4,000 is the absolute maximum that we're looking for approval on. We obviously do our best to shrink that as much as we can during construction.

SENATOR SCUTARI: You said during the *construction*? Is it being built to suit?

MR. CONNERY: When I say *construction*, I mean the fit out of the raw space.

SENATOR SCUTARI: Well, what is there, like a floor in one of the buildings that they're going to cut out?

MR. CONNERY: No, it's standard office space that has to be constructed to fit the office needs, and the courtroom, and all those needs.

ASSEMBLYMAN GUSCIORA: Is there a projected cost savings on all these leases that are here? Is there a percentage?

MR. CONNERY: Just for the renegotiations. I think Mr. Sutkin had mentioned, we estimate about \$400,000 in FY '10 for the renegotiations we did. Now, some of the long-terms leases that we're doing

also resulted in some savings too. We didn't do that analysis. But I think you'll find most of the agenda items resulted in a cost savings as opposed to an increase in cost.

ASSEMBLYMAN GUSCIORA: Well, just in general-- I mean, we're all in hard economic times, and I know that taxpayers are always constantly asking us to save money. Do you guys, when you start out -- do you set a goal of how much you're looking to save?

MR. SUTKIN: That's one of our main objectives when we're entering into a lease. We get the space planning requests from the agency. And as soon as we get that, we're looking first of all to consolidate into existing State-owned or leased space. That's our first objective. But we also-- Savings is at the top of our objectives, so we're looking not to expand any space. But occasionally -- and DYFS is a good example -- there is increasing personnel. We have to increase the space. I think one of the ones we have here reflects an increase in DYFS staff. So it's impossible, in some of the existing leases where they're severely overcrowded, to decrease costs going forward. So in those situations it's impossible. But in other situations and in all events we're looking to save money.

ASSEMBLYMAN GUSCIORA: If the Legislature gave you a mandate next year to save 10 percent on leased space, would you be able to do that?

MR. SUTKIN: I'd have to do the analysis. But I can tell you that even without the legislative mandate, as I noted before, we saved \$3 million last year without a mandate, and we're saving \$4 million this year.

ASSEMBLYMAN GUSCIORA: Then what is that percentage, though? What does that \$4 million translate into? Is it 5 percent less, 10 percent less?

MR. SUTKIN: We'd have to go back and run the numbers because, also, the central rent budget encompasses more than just straight rent; it encompasses some debt service on State-owned buildings that are being leased to an authority. We'd have to go into our database, look at the raw information for rent, and then--

ASSEMBLYMAN GUSCIORA: We're just looking for a ballpark. Would you be able to supply -- what does that \$4 million savings translate into, as far as percentage? Could you get that figure?

MR. SUTKIN: Yes.

DEPUTY TREASURER BELL: And Steve, is it correct that the \$4 million is in addition to the \$3 million that was saved in FY '09? So embedded is a \$7 million delta from where we were in FY '08, for example.

MR. SUTKIN: It is. And through our master planning, we're looking at \$4 million as our target for Fiscal Year '11, which will make it \$11 million total.

SENATOR SCUTARI: All right. So we'll have the motion on the lease for the Judiciary Tax Court in Hackensack, 4626.

DEPUTY TREASURER BELL: Second.

MR. MacCALUS: Okay. To approve NPL 4626 for the New Jersey Judiciary Tax Court in Hackensack.

Chairman Scutari.

SENATOR SCUTARI: Yes.

MR. MacCALUS: Assemblyman Gusciora.

ASSEMBLYMAN GUSCIORA: Yes.

MR. MacCALUS: And Deputy Treasurer Bell.

DEPUTY TREASURER BELL: Yes.

MR. MacCALUS: It has been approved.

MR. SUTKIN: The next item is another lease renegotiation, No. 11 in your notebook, NPL 1186, New Jersey Labor and Workforce Development in Vineland. It's a five-year extension, which I submit for you're approval.

SENATOR SCUTARI: Okay, the Vineland location, which we have a nice picture of here, 1186.

Any questions on the lease?

ASSEMBLYMAN GUSCIORA: Is there a cost savings on this lease?

MR. CONNERY: Yes, there's about an \$18,000 annual cost savings. In addition, the landlord is doing some renovations to the building -- you know, re-carpeting and painting.

ASSEMBLYMAN GUSCIORA: So moved.

SENATOR SCUTARI: I do have a question. We're going to be the single occupant of that building, correct?

MR. CONNERY: Yes.

SENATOR SCUTARI: I can see the building there. At about \$341,000 a year to start for that building, right?

MR. CONNERY: Yes.

MR. MacCALUS: I'm looking at the total annual cost, \$395,000.

SENATOR SCUTARI: Almost \$400,000 for that building.

MR. MacCALUS: Is this reimbursed by the Feds?

MR CONNERY: I believe in large part. I'm not sure what the percentage is.

MR. MacCALUS: Okay.

J O H N D O O S E: One hundred percent Federal.

MR. MacCALUS: I'm sorry.

MR. DOOSE: One hundred percent Federal.

MR. MacCALUS: Okay. And for the record, who are you?

SENATOR SCUTARI: Can you come forward, sir, and state your name?

MR. DOOSE: Director for Administrative Services for the Department of Labor. John Doose.

SENATOR SCUTARI: And you said earlier, about the reimbursement rate--

MR. DOOSE: Yes, Federal.

SENATOR SCUTARI: Can you say what you said back there?
(laughter)

MR. DOOSE: Totally reimbursable by the Federal government. It's the Unemployment Insurance Program. It's our regional call center where people call in to register for unemployment insurance.

SENATOR SCUTARI: As a result of it being a lease-- If it was owned property, we wouldn't get that reimbursement. Is that right?

MR. DOOSE: I'm not sure. I would have to investigate the particulars on that. I know they reimburse us for our costs. They may reimbursement for that as well, I would have to check.

SENATOR SCUTARI: All right, thank you for the help.

MR. SUTKIN: Senator, I think when we did the analysis we found that it's much more efficient for our budget to be leasing federally reimbursed (indiscernible) than own federally reimbursed.

SENATOR SCUTARI: Okay.

MR. MacCALUS: We have a previous motion by the Assemblyman and seconded by the Deputy Treasurer.

Okay, Chairman Scutari.

SENATOR SCUTARI: Yes.

MR. MacCALUS: Assemblyman Gusciora.

ASSEMBLYMAN GUSCIORA: Yes.

MR. MacCALUS: Deputy Treasurer Bell.

DEPUTY TREASURER BELL: Yes.

MR. MacCALUS: It's been approved.

SENATOR SCUTARI: Thank you. And then item 12, again with the Division of Taxation. No, a different-- I'm sorry.

MR. SUTKIN: Last one was Judiciary.

MR. MacCALUS: Yes.

SENATOR SCUTARI: Tax court, this is Taxation.

MR. MacCALUS: Taxation.

MR. SUTKIN: This is a renegotiated lease, five-year lease, a reduced rental for the Division of Taxation at its Fair Lawn location. It's NPL 3385, item No. 12 for the record. I submit it for the Committee's approval.

MR. MacCALUS: Does anybody know why all addresses in Fair Lawn are always hyphenated? Just out of curiosity? It's always 22-dash-something?

ASSEMBLYMAN GUSCIORA: That's so they can charge more.

SENATOR SCUTARI: And the cost savings on this?

MR. CONNERY: It was \$46,000 over the course of the five-year lease. This lease is already well below market, according to our evaluation, so we're saving on top of--

SENATOR SCUTARI: Where is this exact location? This is in Fair Lawn, right?

MR. CONNERY: Yes.

SENATOR SCUTARI: And this is less than the space we just actually approved for Vineland?

MR. CONNERY: Yes.

SENATOR SCUTARI: All right.

ASSEMBLYMAN GUSCIORA: It's a high-rent district.

SENATOR SCUTARI: All right.

Assemblyman, any questions? (no response)

Do I have a motion?

ASSEMBLYMAN GUSCIORA: So moved.

DEPUTY TREASURER BELL: Second.

MR. MacCALUS: On the motion to approve NPL 3385 for the Division of Taxation in Fair Lawn.

Chairman Scutari.

SENATOR SCUTARI: Yes.

MR. MacCALUS: Assemblyman Gusciora.

ASSEMBLYMAN GUSCIORA: Yes.

MR. MacCALUS: And Deputy Treasurer Bell.

DEPUTY TREASURER BELL: Yes.

MR. MacCALUS: Okay, it's been approved.

SENATOR SCUTARI: Okay, agenda item No. 13.

MR. SUTKIN: NPL 4625. This is a new lease for the Public Defender, converting presently what is a month-to-month lease into a 10-year lease. It was advertised, and the existing lessor submitted the lowest cost, the most cost-effective proposal. You will note that this one, as with many others -- that we have cancellation provisions. That's to help us maintain flexibility in the portfolio.

SENATOR SCUTARI: There's a decreased rate on the cost per square foot, from \$19.50 to \$14.50, in the lease?

MR. SUTKIN: Yes.

SENATOR SCUTARI: As it stands in the month-to-month, as we have it now?

MR. SUTKIN: Yes.

SENATOR SCUTARI: So, it's going to be \$14.50 a square foot, but they'll be some additional costs, correct?

MR. CONNERY: Yes. One of the other things the landlord did was he adjusted his base to current, so any operating expenses that we may owe him in escalations going forward will be reduced.

SENATOR SCUTARI: I like the pictures.

Any questions on the Public Defender lease? (no response)

Do I have a motion?

ASSEMBLYMAN GUSCIORA: Moved.

DEPUTY TREASURER BELL: Second.

MR. MacCALUS: On the motion to approve NPL 4625, for the Office of Public Defender in Flemington.

Chairman Scutari.

SENATOR SCUTARI: Yes.

MR. MacCALUS: Assemblyman Gusciora.

ASSEMBLYMAN GUSCIORA: Yes.

MR. MacCALUS: Deputy Treasurer Bell.

DEPUTY TREASURER BELL: Yes.

MR. MacCALUS: It has been approved.

SENATOR SCUTARI: Okay, the last agenda item, No. 14.

MR. SUTKIN: Which is 4523, notice for proposed lease, for DCF, and Law and Public Safety representatives for DCF cases. It's located in Voorhees, New Jersey. It is a renegotiated extension of an existing lease for a three-year period. It is a combined office housing some of the functions of the Winslow and Lindenwold local offices.

SENATOR SCUTARI: How many floors are we going to have in that building?

MR. CONNERY: Pardon me?

SENATOR SCUTARI: It looks as though we're going to occupy approximately 39 percent of the building as it is photographed.

MR. CONNERY: We currently have three floors. In addition to DCF, the Division of Laws has a group there which represents DYFS.

SENATOR SCUTARI: Okay. Can I have a motion?

ASSEMBLYMAN GUSCIORA: Is there a cost savings?

MR. CONNERY: Yes.

SENATOR SCUTARI: It's \$0.58 a square foot?

MR. CONNERY: And that's actually in addition to. We had renewal options in this lease prior, which we had negotiated with the landlord for another \$100,000 cost savings about a year ago. So, we stretched this landlord pretty far.

ASSEMBLYMAN GUSCIORA: So moved.

DEPUTY TREASURER BELL: Second.

MR. MacCALUS: On the motion to approve the Division of Children and Families in Voorhees, New Jersey, NPL 4523.

Chairman Scutari.

SENATOR SCUTARI: Yes.

MR. MacCALUS: Assemblyman Gusciora.

ASSEMBLYMAN GUSCIORA: Yes.

MR. MacCALUS: And Deputy Treasurer Bell.

DEPUTY TREASURER BELL: Yes.

MR. MacCALUS: It's been approved.

Okay, Steve, are you going to be introducing the departments?

MR. SUTKIN: John -- Mr. MacCalus, I'd like to have Steve Sagnip come up, who is going to moderate the presentations.

MR. MacCALUS: Okay.

SENATOR SCUTARI: That's the agenda items. Now we have some presentations from some particular departments.

Who will be first?

MR. MacCALUS: Steve Sagnip -- this is the Office of Management and Budget.

S T E V E N S A G N I P: My name is Steve Sagnip.

MR. MacCALUS: Turn your microphone on. (referring to PA microphone)

MR. SAGNIP: I'm sorry.

My name is Steve Sagnip. I'm with the Office of Management and Budget, Financial Recording Group. I am the lead person, I guess, on the space presentations by each one of the departments. Today we will be introducing the Department of Agriculture first, the Department of Education second, and the Department of Transportation will be third. Because after that we have four more agencies that will be presenting an overall view, in much more detail and in depth, regarding the data of where we are today and that we anticipate occurring next year.

So at this point, the Department of Education-- Excuse me, Department of Transportation -- Agriculture, sorry.

SENATOR SCUTARI: We still have the Department of Agriculture. (laughter)

A L F R E D M U R R A Y: Good morning.

SENATOR SCUTARI: Could you just state your name for the record?

MR. MURRAY: Yes. My name is Al Murray. I serve as the Assistant Secretary of Agriculture. To my immediate right is Lou Bruni, our Chief of Operations. To my far right is Doug Eldridge, who is the Facilities Manager for our Department.

SENATOR SCUTARI: Welcome. Good to see you are all still with us. (laughter)

MR. MURRAY: Good to be here. Okay, well, good morning. I'll continue with the testimony, if that's okay, through the Chair.

SENATOR SCUTARI: Please.

MR. MURRAY: Good morning, and thank you for this opportunity to speak to the sub (*sic*) Committee today on the important issues regarding space utilization by the Department of Agriculture.

The headquarters for the New Jersey Department of Agriculture has been located at the Health and Agriculture Building since the building's construction in 1965, except for a six-month period in 1989 during a remodeling project. In 1989, when the remodeling project was completed, nearly 100 percent of our available workspace was populated with employees.

The Department has a total of 192,783 square feet of space, distributed over six sites. At 217 square feet per employee, we're close to the standard space of 200 square feet per employee. Among our space is 97,300 square feet at the Horse Park of New Jersey, which although it's a property that is owned by another department, it is counted among our locations.

In 2007, the Department undertook several initiatives to help promote space savings and efficiency, and they included moving our human resources office into an underutilized training space, and consolidating our information technology unit into one central space to promote more efficient use.

Most vacant work stations that appear in front of you are a direct result of the Department's reductions in force during the past four decades, particularly in the last 10 years. Through attrition, the number of Agriculture employees has been reduced to its current number of 222 full-time employees and 104 Temporary Employment Services employees. I

should also point out that out of that 104 Temporary Services employees, 75 are what is considered per diem Soil Conservation District Supervisors for the Division of Ag and Natural Resources. These supervisors are required by State law. However, at one time the total number of agricultural employees stood at 380.

Because of these reductions, many employees have taken on additional duties or have been cross-trained to handle what, at one time, was more than one job in more than one program. Due to this approach, the Department has decided to expand many of the clerical workstations into larger, double-sized, professional workstations that are used to administer several programs from one space. Although at times considered, it is impractical for the aggregate whole of vacant space to be compressed into one particular location. That is why you will see several vacant workstations throughout the Department. The vacant spaces represent non-filled vacant positions in the Department, some of which are being proposed for re-hire through the Governor's Office.

Currently, one of our largest divisions, the Division of Food and Nutrition, is located separately from the main body of the Department. When the Division of Food and Nutrition was moved from the Department of Education to the Department of Agriculture, we simply did not have enough room at the our Health and Agriculture Building to accommodate those employees. Add this to the fact that when the New Jersey Public Health, Agriculture and Environmental Lab is completed in late 2010, we expect yet another relocation of employees, as the administrative and lab staff of the divisions of Animal Health and Plant Industry will move to this new lab.

Another of our specialty labs is located at the West Trenton Campus of the State Police. The Phillip Alampi Beneficial Insect Laboratory has been producing beneficial insects for over 20 years.

Consolidation of our sites within the Department has always been on the table, but could never fully be implemented. However, with the divisions of Animal Health and Plant Industry moving to West Trenton in 2010, the combination of 60 currently vacant workstations, and the vacancies created by the move -- and we're talking about 30 to 35 workstations -- we may have an emerging opportunity that could see the Division of Food and Nutrition return to the Health and Agriculture Building. Early indications are that such a move could save the State approximately \$4 million over a 10-year period, with more than \$300,000 of savings annually in mitigated lease costs and payments from Federal sources to the new space. Since these are major space utilization issues to be resolved, the decision to consolidate will ultimately fall in the hands of the Department of Treasury, Division of Property Management and Construction.

The establishment of a single departmental location would allow for more cohesion and a unified sense of identity to our staff from all divisions, as well as savings in administrative costs and operational efficiencies.

At this time, if you have any questions, myself or members of the staff would be happy to accommodate you.

SENATOR SCUTARI: You own that main building here in Trenton, correct? You have a name that you refer to it, as the-- What is it?

MR. MURRAY: The Health and Agriculture Building. We share that building with the Department of Health.

SENATOR SCUTARI: You do?

MR. MURRAY: Yes.

SENATOR SCUTARI: Is that the round one?

MR. MURRAY: That's the laboratory. Both those buildings are part of the Health and Agriculture Building. The square building is the administrative offices, which we comprise the first three floors. And floors five through eight are occupied by the Department of Health. Then next door, the round building is actually the laboratories that both the Health Department and the Department of Agriculture use.

SENATOR SCUTARI: But we own those buildings?

MR. MURRAY: Yes.

SENATOR SCUTARI: We don't have to lease those?

MR. MURRAY: No, no.

SENATOR SCUTARI: So if we get people out of the leases and bring them back into that building, like you were suggesting that is possible, you'd save money.

MR. MURRAY: Yes.

SENATOR SCUTARI: Okay.

Assemblyman?

ASSEMBLYMAN GUSCIORA: So the game plan is to stay put and just consolidate into Trenton -- the square building?

MR. MURRAY: At this time, that is a possibility that we could explore, yes.

DEPUTY TREASURER BELL: From Treasury's perspective, those buildings will be-- There will be significant movement out of those buildings when the new health lab is completed. Those buildings are in horrendous condition, and investment to make them habitable for the long-term may not be in the State's best interest. So we are looking at whether or not we can consolidate the people who will be remaining in that building into existing space within the State portfolio, and not retain those buildings long-term, but, in fact, dispose of them.

SENATOR SCUTARI: And do what, knock them down?

DEPUTY TREASURER BELL: We would dispose of them, yes. We would look to sell that piece of property.

ASSEMBLYMAN GUSCIORA: First of all, I hope we maintain the mission of Trenton being our Capitol City. And second of all, those are somewhat unique architectural structures, so I'd hope we keep that into consideration. I hope we're not moving the State out of the Capitol City.

DEPUTY TREASURER BELL: No, we would be moving them into existing portfolio space within Trenton. The buildings-- And certainly we can provide more information on this as we do the assessment. The buildings will require millions and millions of dollars of investment, and that's the concern. It's not that we don't want to be at that location; it's because the facilities would require so much money to be put into them that we don't think that it's appropriate for us to do that.

SENATOR SCUTARI: Well, you'd be investing in a property that you own, rather than not selling it and then going into multiple leases that will cost us money over 20 years.

DEPUTY TREASURER BELL: Well, we have a lot of owned property in Trenton. We have a considerable amount.

SENATOR SCUTARI: Well, we'd have a little bit less if we get rid of those two buildings.

DEPUTY TREASURER BELL: Yes, there's a lot of laboratories that are for special use.

SENATOR SCUTARI: I agree with the Assemblyman. Before any decisions are made with respect to moving out of those buildings permanently and disposing of them, and either selling them or what have you, I think that because of the architectural significance of those buildings -- they're well known in Trenton in terms of their interesting look -- it should be looked into -- renovations of them. Because obviously, based upon my limited time on this Committee, we always need space, and a lot of it's in Trenton. And if they can be renovated, depending upon the cost efficiency of it, I think that we should at least explore that.

DEPUTY TREASURER BELL: Well, we have, but we need to provide you with the data. That's fine. Obviously, if we can keep owned buildings that are cost-effective, we do that. When they're in the condition that these buildings are in-- And also, we have considerable amount of special-use space, laboratory space. To convert that to other use would not be economically feasible. But we can provide the data, certainly.

SENATOR SCUTARI: Assemblyman, I'm assuming you share that?

ASSEMBLYMAN GUSCIORA: This is news to me. I just hope the State, again, takes into consideration that it's the Capitol Complex; that we should keep the State mission all consolidated downtown

where it is; that they are also architecturally significant buildings. And I would just hope that the State would invest in them, rather than disperse our mission elsewhere.

SENATOR SCUTARI: How does that thought process go along with what -- the last few comments, with respect to moving some people back into that building?

DEPUTY TREASURER BELL: I'm not familiar with Health having done any economic assessment on that. I will tell you that Treasury has done a fair amount of evaluation of the facilities, and, as I said, we can share data with you. But those buildings are probably in the worst condition of any facilities we have in the City of Trenton. And investing in them, and trying to convert them, is not something that, I think, any of us would term economically appropriate to do.

MR. MacCALUS: I just have an awkward question here that came to mind. Isn't that the only helipad that's approved in the City of Trenton, other than the hospital?

DEPUTY TREASURER BELL: The helipad is not--

MR. MacCALUS: Isn't that on the Agriculture site?

DEPUTY TREASURER BELL: No. We have a helipad, but it's not part of the facility.

MR. MacCALUS: Okay, but if we lost the Health and Agriculture, we would lose the-- Because that's actually the cooling water tank?

DEPUTY TREASURER BELL: No.

MR. MacCALUS: No?

DEPUTY TREASURER BELL: No.

SENATOR SCUTARI: That's not where the helipad is? I thought it was over there.

DEPUTY TREASURER BELL: It's adjacent to it, but it's not part of the two buildings that we're talking about.

SENATOR SCUTARI: But, I mean, if you dispose of those buildings, you'd probably lose the helipad, wouldn't you?

DEPUTY TREASURER BELL: No.

SENATOR SCUTARI: Because, from my understanding, it's very difficult to have or get approval for helipad locations, especially in New Jersey. I'm assuming you're expecting to retain that, under any circumstances, in terms of changes.

So we have a difference of thoughts here. Because they've indicated that there's some indications that there could be a move that would save money, in terms of bringing people back into that specified location. I mean, that's what I just heard, correct?

DEPUTY TREASURER BELL: Again, I think-- I'm not sure what analysis has been done, and whether or not there has, in fact, been a total cost view of migrating people back into that building. It would be Treasury's position that we should look at alternate sites for consolidation within the existing portfolio, and not within those facilities.

ASSEMBLYMAN GUSCIORA: If Treasury moves out of those buildings, do they have to be approved by this Committee?

DEPUTY TREASURER BELL: No.

MR. MacCALUS: Is that the State House Commission that would determine--

DEPUTY TREASURER BELL: The disposition of the property ultimately?

MR. MacCALUS: Yes.

DEPUTY TREASURER BELL: Yes. I mean the sale of the property, yes, the State House Commission, and probably the Legislature.

SENATOR SCUTARI: Well, the sale of any properties has to go through the State Government Committees of the respective Houses.

DEPUTY TREASURER BELL: Right.

SENATOR SCUTARI: So, if you're going to sell any of that property, you've got to ask us to do that.

DEPUTY TREASURER BELL: Yes. I hope you understand that we would not be proposing something that is not an economically prudent thing to do.

ASSEMBLYMAN GUSCIORA: Well, that's what they said about Penn Station when they tore that down. I think that these are something that the State should be cognizant about and try to preserve.

SENATOR SCUTARI: The other reason that I'm concerned about that, as well, is that although you indicate that the buildings are in terrible condition, we actually own those buildings. It's so difficult-- And I know we've talked about the State actually building an office building-- It would be very difficult to do. We actually have an office building that we own that we could renovate and have in downtown Trenton, which could be used, although it might be a little bit more than we expect to pay in the beginning-- We'd actually have it, and that would potentially save money on leases for 25 years, if we did that.

DEPUTY TREASURER BELL: If we had to take down additional space, I would agree with you, potentially. Again, it depends on how much needs to be put into the facilities. One of the facilities is a lab. I mean, it would need to be completely renovated.

SENATOR SCUTARI: But we're getting another lab right now, aren't we?

DEPUTY TREASURER BELL: That is going to be a new, owned facility.

SENATOR SCUTARI: Where is that?

DEPUTY TREASURER BELL: That is in West Trenton.

ASSEMBLYMAN GUSCIORA: West Trenton, State Police Campus.

DEPUTY TREASURER BELL: We've been moving a lot of people into Trenton. We've been closing leases outside, in the environs, and bringing people into Trenton.

SENATOR SCUTARI: You obviously have studied this. Is there a timeframe for where you thought, or are thinking, that this analysis would be completed, as to whether or not you would be disposing of those facilities?

DEPUTY TREASURER BELL: The expectation is that we would be vacating the site at around the time that the new health lab is completed, which is June of next year.

SENATOR SCUTARI: So you're expecting June of next year that the lab that's in downtown Trenton -- to be emptied out and brought over to the West Trenton location? What about the office building?

DEPUTY TREASURER BELL: And the office space-- There will be some office people who will also be moving to the new lab, but the remaining groups we were looking to consolidate within existing portfolio space in Trenton.

SENATOR SCUTARI: You'd empty out that square building? Where would everybody go?

DEPUTY TREASURER BELL: Well, we are looking to create enough vacant space within the existing portfolio, that we're already committed to pay for, to relocate these groups into that space.

ASSEMBLYMAN GUSCIORA: And those would have to be approved by this Committee?

DEPUTY TREASURER BELL: No, not necessarily, not unless we were taking down new lease space, which we would not be doing. We're trying, in all cases, to eliminate, you know, financial obligations -- adding new financial obligations.

SENATOR SCUTARI: If you move everyone out of that square office building, and it's already currently leased space -- or owned space, it wouldn't come in front of us, they would just be moved. But then the building would be empty, and then the decision would have to be made as to whether or not it's renovated, or liquidated, or whatever is done with the property, correct?

Well, I would, for one -- and I'm certain the Assemblyman -- would like to know about that process as it goes along.

DEPUTY TREASURER BELL: Certainly. And just to add to this-- I know there's concern about the City of Trenton. The City of Trenton is extremely interested in us vacating those buildings.

ASSEMBLYMAN GUSCIORA: I know, but they should have some rationale, which I don't think they have.

SENATOR SCUTARI: Well sure, because then they'd go back in the tax rolls. I'm not interested that much in that, and I don't think the Assemblyman is.

DEPUTY TREASURER BELL: We're not interested either, except to the extent that it's the economic best interest of the State, also. And if it is part of an Economic Redevelopment Plan for the City then we certainly are supportive of that; but not if it's an economic detriment to the State.

SENATOR SCUTARI: Well, can we proceed cautiously and update us in terms of that so we can help in that process? Because if it gets to the Senate State Government Committee, and I'm not engaged in it, then it's going to get sold.

DEPUTY TREASURER BELL: Certainly. We'd be happy to share any information, of course.

SENATOR SCUTARI: Okay, anything else? (no response)

That's a big, obviously, issue, though in terms of--

All right, with respect to the Department of Agriculture--

Gentlemen, thank you very much. We appreciate your input, and we'll continue to talk about that.

UNKNOWN MEMBER OF AUDIENCE: We would be interested in hearing--

SENATOR SCUTARI: We are too.

MR. MacCALUS: Steve Sagnip, are you going to introduce the Department of Education, or--

Department of Education, come on up.

SENATOR SCUTARI: Welcome. Could you just introduce yourselves for the record?

J O H N J. H A R T: Sir, good morning. My name is John Hart, and I'm Chief of Staff for the Department of Education. Here with me is Dave Corso. Dave is Director of Administration for the Department.

SENATOR SCUTARI: Welcome, gentlemen.

MR. HART: Thank you.

It's a pleasure to be here. On behalf of the Commissioner, Lucille Davy, I appreciate the opportunity to come before you today to provide an overview of our Department's facilities.

The New Jersey Department of Education currently leases five facilities, for a total of 139,270 square feet. The majority of our employees are essentially housed in a leased building at 100 Riverview, in Trenton, which consists of 100,000 square feet. Our Office of Fiscal Accountability and Compliance, known as OFAC, occupies a little over 10,000 square feet of leased space at 1001 Spruce Street in Trenton. The Department also leases space in Dayton, Morris Plains, and East Orange for our Special Education Learning Resource Centers, known as LRCs.

Given the need for fiscal austerity in these difficult economic times, the Department has made it a priority to constantly review our facilities and work with the Division of Property Management and Construction, DPMC, in order to consolidate space and achieve cost savings wherever possible.

Deputy Treasurer, we'd like to note that DPMC has been extremely helpful for us throughout this process the past few years, and as a

result of the partnership the Department has vacated four leased buildings -- one in Trenton, Paterson, East Orange, and Sewell -- for a total savings of \$769,039. The majority of these staff have relocated to our central office at 100 Riverview Plaza. And additionally, in an effort to further consolidate staff, we are in the midst of vacating the 1001 Spruce Street office and our Dayton office, which should be complete by the end of this July. These moves are expected to save the Department a total of \$422,711, and the staff will be relocated to 200 Riverview Plaza, Trenton, where the Office of Information Technology's consolidated staff -- the space they occupy -- in order to accommodate our staff. Two Hundred Riverview is right next to the Central Office at 100 Riverview.

SENATOR SCUTARI: That's over near Trenton stadium (*sic*), correct?

MR. HART: It's near the baseball stadium and Katmandu.

SENATOR SCUTARI: The blue buildings?

MR. HART: Yes, sir.

SENATOR SCUTARI: The glass building?

MR. HART: Yes. We've also worked with DPMC to move our Office of School Facilities staff from a leased building to the Roebling Building at the Department of Treasury. While this did not achieve direct dollar savings for DOE, it did free up space to allow DPMC to consolidate other departments and moved our School Facilities staff closer to the Schools Development Authority, who they work closely with.

In addition to leased space, the Department occupies various state-owned facilities, including the Marie H. Katzenbach School for the

Deaf and regional day schools. The Marie Katzenbach School for the Deaf is located at 320 Sullivan Way in West Trenton. The property is owned by the Department of Education and consists of 31 buildings over 117 acres. Approximately 213 children attend the school; 106 of them are boarding students on campus from Monday morning until the close of school on Friday. And at present time, 15 of the 31 buildings are utilized by the school, and space is leased by the HomeFront agency and the Department of Children and Families.

HomeFront leases Building 24, at a yearly revenue of \$253,000. Their lease expired in April, and we're in the process of working with them to renew a lease. The Department of Children and Families, DCF, leases three areas on the campus for a yearly revenue of \$334,000. DCF utilizes these areas for the academic portion of the Ewing Residential Center and staff training labs.

Katzenbach and DOE are currently in preliminary negotiations with the Department of Human Services to try to lease two buildings for the use of Human Services Police, for their patrol officers and detectives.

There are 21 county offices of education in the state, which are located in the county-owned buildings. This staff is part of the Division of Field Services, and there's no cost to the State to house employees in these offices. The Department of Education is required by statute to operate 10 regional day schools, located in nine counties throughout the state. The Department owns the facilities, and all the schools are operated by local education agencies under contract with the Department. Operating expenses are generated entirely through tuition charged to local districts

that send students to the regional day schools, and there are no State employees associated with these facilities.

I'd like to take the opportunity to show you that the Commissioner and the Department will continue to review its facilities' needs to identify any cost savings, while keeping its core mission of serving New Jersey school districts as its priority.

Thanks again for the opportunity to speak with you, and I welcome any questions or comments you have.

SENATOR SCUTARI: How many different locations does the Department of Education have, statewide? Obviously you have 21 county offices.

DAVID CORSO: Twenty-one county offices and 10 regional day schools are 31. Katzenbach School is 32, and the leased-- Currently 37.

SENATOR SCUTARI: You have 37 separate locations of where the Department of Education has staff.

MR. CORSO: I apologize, 38.

SENATOR SCUTARI: Thirty-eight. Out of those 38 spaces that you have, how many of those are owned by the State, versus how many are leased? I understand that you have a couple of buildings that are owned, at least.

MR. CORSO: There's -- well, I can go backwards-- There's five leases, soon to be four. In the Summer, we'll be getting out of 1001 Spruce Street, so four less, what was it, 38? Thirty-four are owned by the State.

SENATOR SCUTARI: We own 34 of the 38 locations?

MR. CORSO: Well, no, let me say, the 21 county offices are owned by the counties.

SENATOR SCUTARI: Right, so we have to lease that from the county?

MR. CORSO: No, it's provided at no cost. The statute says that the county has to provide that to us at no cost.

SENATOR SCUTARI: Okay. So does that mean you have 38 locations, plus 21 county locations?

MR. CORSO: No. In the 38 is the 21 county offices.

SENATOR SCUTARI: I got it.

MR. HART: Does that include the regional day schools as well?

MR. CORSO: Yes.

MR. MacCALUS: So we have four leases, is that what it is?

MR. CORSO: Four leases, yes.

MR. MacCALUS: Four leases and 21 free offices.

SENATOR SCUTARI: And three owned buildings.

MR. CORSO: Yes.

MR. MacCALUS: And the Katzenbach is actually a campus.

MR. CORSO: Katzenbach is 117 acres. That's a campus.

MR. MacCALUS: Okay.

SENATOR SCUTARI: Do you know how much square footage that the Department of Education actually occupies, spread across those 38 leases?

MR. CORSO: Not off the top of my head I don't. We have the data to get that information to you.

DEPUTY TREASURER BELL: Over the four leases, or the 38 facilities?

MR. MacCALUS: Steve Sagnip? Isn't that information in the LBAM sheets?

MR. SAGNIP: I have that information, but at prior-- Under the other committee, we-- In order to streamline the reports, those reports were pulled out. But I do have that information. This is mostly-- The reports that you have -- is program square footage. So, wherever an employee sits with the Department of Education, that square footage is included into this report. But if they have areas that do not have program employees sitting, that square footage is not included in what you have today. But I can provide that information to you.

SENATOR SCUTARI: What did you say-- You had something for what other committee?

MR. SAGNIP: Oh, the prior committee -- the (indiscernible) -- this thick.

SENATOR SCUTARI: This committee?

MR. SAGNIP: Yes, this Committee, I'm sorry. Under Senator Sweeney-- Yes, I think it was real huge, and there would be three or four of them, one for each department, so we streamlined them.

MR. MacCALUS: Yes, but here's 600,000 square feet shown here as program square feet.

MR. SAGNIP: Correct, that would be the--

MR. MacCALUS: So that means that it excluded -- if I understand what you're saying -- excluded would be like classrooms and -- or is that part of the program space?

MR. SAGNIP: They would possibly be excluded. It would be any building or floor that does not have a State employee or somebody working for the State House at that location.

MR. MacCALUS: Okay.

MR. SAGNIP: So it would be a warehouse. If they had a vacant -- one of their floors was vacant, that square footage would not be included. This is strictly employees and the square footage allocated to them.

MR. MacCALUS: Okay, and there were some people that you said were not -- I'm sorry -- you said were not employees of the State?

MR. SAGNIP: Yes, like vendors. You may have a computer consultant, someone like that, where we have to supply workspace.

MR. CORSO: You're talking about the regional day schools for the handicapped.

MR. MacCALUS: Regional day, yes.

MR. CORSO: Those employees are not employees of the State. We own those facilities.

MR. MacCALUS: We own the buildings.

MR. CORSO: I go to the Capital Budget Planning Commission every year and ask for money for any project over \$50,000 to fix up the building. What we do is, we contract with the local education associations to run the programs in there, so that the people that work in those buildings are school district employees.

MR. MacCALUS: Okay, I understand.

SENATOR SCUTARI: Do you see any opportunities where you could be consolidating out of the leased space into owned space in the near future?

MR. HART: The Department, as my testimony has said-- I mean, we feel as if we've certainly done a lot of that in the last two years; and we're pretty much outside of those areas that David mentioned, which are where we kind of need to be in order to reach out and meet the needs of the districts and the schools. In those areas that sort of -- those parts of the Department that represent -- or can work centrally, we've done that. We've essentially-- By the end of the Summer, we'll be consolidated down to two buildings, both in Riverview; a third at the Roebling Building, which is already a State-owned building. So I think we're right about at the edge of-- We've done a lot of work, we feel, in the last two years and we're pretty much at that edge.

MR. CORSO: The other thing that I would add to that, Senator, is that the two leases at 100 and 200 Riverview are 24-year leases that expire in 2026.

SENATOR SCUTARI: Maybe we could have the Department of Health renovate it by then, and you can move in there. (laughter) Agriculture, rather. I mean, you have hundreds of thousands of square feet of space in fairly new buildings on the river. Those blue buildings, they're within 10 years old, correct?

MR. CORSO: Well, we've been there 10 years. They're about 15 years old. And as I was reading the report, it showed the percent of vacant space compared to the total number--

SENATOR SCUTARI: So, how old-- I mean, you've been there 10 years, and the lease doesn't expire for another 15?

MR. CORSO: Yes, 1996 was when we moved into 100 Riverview.

SENATOR SCUTARI: So it's a 30-year lease?

MR. MacCALUS: Do we own some of Riverview?

MR. CORSO: No, we don't own-- Riverview's a lease. All three of those buildings are currently leased.

MR. MacCALUS: Didn't the Economic Development Corporation and Mercer County somehow get together and-- I don't recall, it's been a long time.

MR. CORSO: I wasn't privy to that. I mean, the Department wasn't. That was done on behalf of us through the Property Management and Construction folks.

MR. MacCALUS: Okay.

SENATOR SCUTARI: How many hundreds of thousands of square feet do you lease at the Riverview locations?

MR. CORSO: Each building is 100,000 square feet. So we have 100, which is 100,000 square feet; a floor of 200, for argument's sake, is 25,000 square feet -- so that's 125,000. And the Learning Resource Center that's going to be put on the first floor is roughly 11,000, so it's 125,000 -- 135,000 square feet.

SENATOR SCUTARI: One hundred thirty-six.

MR. CORSO: One hundred thirty-six.

SENATOR SCUTARI: Okay, and you're leasing that for 30 years? Up until 2024, from what you said.

MR. CORSO: December 3, 2026, is when the lease expires.

SENATOR SCUTARI: All right. So how long is that from now, 25 years? And you've been there 10 years. So a 35-year lease for-- Now what do you think the cost of that building is going to be over the next 25 years, that we've leased 136,000 space? I mean millions, and millions, and millions-- I mean, how much? Do you have any idea how much it's going to cost?

MR. CORSO: I have no idea.

SENATOR SCUTARI: It's got to be a lot.

MR. CORSO: It would be a lot, yes. I would defer to the Property Management and Construction people on that.

SENATOR SCUTARI: And this is the difficulty that I suggest when we talk about maybe we need to construct a State office building. The millions and millions of dollars that we're not going to return on if we owned the building, and now we want to potentially get rid of two architecturally significant buildings in Trenton. And you can't even get out of that lease for 25 years.

MR. CORSO: No.

SENATOR SCUTARI: And you're going to need 136,000 square feet from now until then. And we don't even have an estimate of what the annual cost is for that 136,000.

MR. CORSO: I can give you the-- The 100,000 square feet we occupy is roughly \$2.273 million a year.

SENATOR SCUTARI: What was that? How much?

MR. CORSO: Two, two, seven, three.

SENATOR SCUTARI: Two, two, seven, three every year?

MR. CORSO: Yes.

SENATOR SCUTARI: Twenty-three million every 10 years. So maybe \$67 million, \$70 million for the 30 years. Okay.

DEPUTY TREASURER BELL: My understanding is those leases were signed some time ago as part of an economic redevelopment for the City of Trenton, so I think that was -- it was the rationale in doing that.

SENATOR SCUTARI: Right. I mean, I'm assuming those buildings, at least to some degree, were built with the State as the primary tenant involved 10 years ago.

MR. CORSO: I can tell you that the building that we were in sat empty for a couple of years before we moved into it, because one of my jobs back then was to help DPMC with their tenant fit out, and it was still in rough construction. I mean when you went in there, there was still the studs. There wasn't any drywall or anything on it. And I think maybe four, five, or six years prior to us moving in, in 1996 -- so what was that, 1990?

SENATOR SCUTARI: Well, we know we've got 25 years to get ready to move, right? I mean, you're there for 25 years. I would hope that in 25 years, maybe we can put you into a spot that the taxpayers will have less of a cost to them, if we actually owned it.

MR. CORSO: I hope to be retired by then. (laughter)

SENATOR SCUTARI: Me too.

MR. MacCALUS: Put the money in Health and Agriculture.

SENATOR SCUTARI: What I'm saying is that it seems like 25 years is a long time from now. It is. You know, in the blink of an eye it will be 15 years from now, and we'll be looking at-- We're probably not going

to be out of business. So I mean, long term, why would we continue to spend \$2.3 million a year?

DEPUTY TREASURER BELL: We do own the one the building.

BERNARD H. McLAUGHLIN: No, we don't. We *did*. We used to own it.

DEPUTY TREASURER BELL: Right. We owned it and sold it for some reason.

SENATOR SCUTARI: What building did we sell?

Can you come forward?

MR. McLAUGHLIN: Yes, sure.

MR. McLAUGHLIN: Bernie McLaughlin, I'm with DPMC as well.

This happened back, I think, in the mid-'90s. The building that Education -- Building 100 -- was actually a State property. At that point, a deal was struck with a private speculator in which the State gave ownership of that building. They then built the other two buildings. Or were they already there?

MR. CORSO: They were there.

MR. McLAUGHLIN: They were there. And with those funds, the speculator then built the parking garage that's outside there.

SENATOR SCUTARI: How much did we sell that building for?

MR. McLAUGHLIN: I have no idea, sir. I wasn't here.

SENATOR SCUTARI: That's unbelievable.

MR. McLAUGHLIN: But it was-- You're not wrong, but the space that these guys who have been working with us-- It's not a bad lease. The price is pretty good for what we've got, and we've been maximizing the usage of it.

SENATOR SCUTARI: I'm not suggesting it's a bad lease. Perhaps it's a great lease. But I don't know. You don't lease your house for 30 years, you buy your house for 30 years.

MR. McLAUGHLIN: Certainly you don't sell your house to lease the space.

SENATOR SCUTARI: And then lease it back. We sold one of our houses, and lease three back.

MR. CORSO: That's what we did.

SENATOR SCUTARI: It kind of seems-- I mean, am I completely nonsensical, or does that mean -- does that sound kind of stupid?

MR. CORSO: No sir. Mr. Chairman, at the Department we can certainly see that perspective. Our job, or our role in working with DPMC, is to try to utilize that space the best we can. We've got a less than 1 percent vacancy rate in that building.

SENATOR SCUTARI: Don't take it as a criticism.

MR. CORSO: We're trying to get as much bang for our buck as we can.

ASSEMBLYMAN GUSCIORA: Do you also pay for the parking spaces?

MR. McLAUGHLIN: No.

ASSEMBLYMAN GUSCIORA: That's a freebie?

MR. McLAUGHLIN: Well, yes, it is a freebie. But it is my understanding that the county owns the parking garage space.

ASSEMBLYMAN GUSCIORA: The eyesore.

SENATOR SCUTARI: That's pretty enlightening. So, we owned 100? Which number did we own over there? We owned 100, and now we lease 100,000 square feet at 100?

UNKNOWN MEMBER OF AUDIENCE: That's correct.

SENATOR SCUTARI: At \$2.3 million.

UNIDENTIFIED MEMBER FROM AUDIENCE: It's \$22.73 a square foot.

SENATOR SCUTARI: It almost seems like a bad joke on the taxpayer. I mean, it really -- it seems absolutely crazy that we sold that back and now we're leasing 100,000 square of it for \$23 a square foot.

There's no opt-out clauses on these leases, I guess, right?

MR. SUTKIN: No.

SENATOR SCUTARI: We're stuck. Great.

MR. CORSO: Officially, I'd answer that the Department wouldn't know that; possibly DPMC would.

SENATOR SCUTARI: Okay. Any questions for these gentlemen? (no response)

Thank you for this enlightening conversation.

MR. CORSO: Thank you, Senator.

MR. MacCALUS: Department of Transportation?

SENATOR SCUTARI: Gentlemen, introduce yourselves for the record, please.

BRIAN BAUERLE: Good morning.

Is this on? (referring to PA microphone)

I'm Brian Bauerle, Chief of Staff for the Department of Transportation. With me is Al Brenner, Director of Facilities; and Steve Hanson, the CFO for the Department.

We previously supplied you our PowerPoint presentation and some longer remarks. So I'll go through a brief overview real quick, and if you have questions you would like answered as I go through the PowerPoint, you can do so.

The Department of Transportation remains committed in our efforts to review and update our data for the statewide Land and Building Asset Management System, the LBAM system. The Department has performed site inspections over the past year in an effort to confirm the workspace allocation, and the system is viable as possible for the Committee to utilize and get a better understanding of how we're maximizing and using our space. We continue to maximize our existing space, and look for ways to better utilize the facilities we maintain, and to consolidate space as needed. We currently also work with other departments, already, that use some of our space for their needs.

At our facilities across the state, the Department has 526 underutilized work areas, of which 510 are of the office setting. We are actively working with the Department of the Treasury on our underutilized space to partner with other departments or agencies that have a need to reduce or minimize leased space they currently have. This is specifically the case for our South Region office in Cherry Hill and in our Central Region office in Freehold, where we have space available that we can share.

As an overview, the Department has operations in all 21 counties, with three regional headquarters in Camden, Monmouth, and Morris counties. The Department maintains headquarters at the campus that is located in Ewing. The Department of the Treasury typically uses a 2,000-square-foot (*sic*) per person metric when evaluating program space needs. However, due to some of the unique functions and facilities maintained by the Department, the standard square-foot metric can be misleading when evaluating our utilized space.

When looking at our program space needs, it is important to take into account such facilities as warehouse space, maintenance facilities, workshops, material and equipment storage facilities, and testing facilities. These needs may give the appearance of significantly underutilized work areas. Currently, NJDOT occupies nearly 2.2 million square feet of space, with approximately 1.4 million square feet for all program operations, which is an average of about 620 square feet per person. When you filter out the non-dedicated office space and their assigned personnel, our program square footage reduces to 486,102 square feet, and the per person square footage equals 264 square feet.

Currently NJDOT leases 4,388 square feet of office space on Halsey Street, in the City of Newark, that is currently utilized by our regional Local Aid office. This lease will end in October 2009, which will provide a savings of approximately \$200,000 annually. The Department will utilize our existing Newark Maintenance Facility location to provide the necessary office space for the regional Local Aid office.

I am happy to say that when this lease ends in October, NJDOT will no longer occupy any lease space. The Department thinks it is

very important to maximize the use of all of our available space while maintaining the mission of the Department.

I thank you for the opportunity to be here to give you an overview of our ongoing efforts. And if you'd like us to go through the PowerPoint, we could do so now.

SENATOR SCUTARI: Sure.

A L F R E D J. B R E N N E R: Okay. Al Brenner, Director of Support Services.

And just to paint a picture of how we look--

SENATOR SCUTARI: Look at that. You're leaving some leased space. I like it.

MR. BRENNER: Yes, we want to get out of there. We will do that hopefully this Summer. It's our goal. And that was an older lease we had on Scotch Road, which we terminated several years ago. So Halsey Street is the last lease we have.

Right now we're partnering with these agencies, and various different things. Health stores some medical supplies in our space. We have some-- The Schools Development Authority has some office trailers that are stored in our space. Motor Vehicle actually has some personnel that they have moved into one of our buildings. State Police is also in our buildings. So we do work with Treasury constantly to see if we can fill as many empty desks as possible.

This is a picture of our campus in Ewing. And you can see the various warehouse-type structures, seven-story structure, two three-story structures.

SENATOR SCUTARI: And that's all State property, right?

MR. BRENNER: Yes, sir.

And in Ewing, we have almost a million square feet and 1,700 people. Over 1,700 people work there. Again, a lot of it's warehouse space, vehicle repair facilities, and storage buildings.

This is how we're laid out across the state. If you add all this up between North, Central and South -- all the red dots and some of the pink are the maintenance yard locations -- there's approximately 80 throughout the entire state, in every county of the state. That's the bottom half.

In Region North -- they're in the upper eight counties. At one time that was two regions, they were combined. That's why this region is the biggest region, occupies the most maintenance yards and the most square footage. There's one two-story office building, the home of the North Region headquarters. And these are the types of the facilities, as you break them down. And we're proud to have the DSP in all regions of the state. And State Police weigh stations are in all three regions also.

Central Region: the center six counties of the state, 456,000 square feet, and same type of breakdown as in North Region. Each region is similar in how they're broken down into different types of buildings and what type of crews we house in each.

The South Region is in the lower seven counties of the state, 354,000. We're happy to say, in the Cherry Hill office we're working with Treasury right now to fill some empty desks, almost 55 empty desks. We're trying to see if we can move another department in to cancel a lease in that area.

Again, a similar breakdown with the type of buildings we have in the Southern region.

This is just to give you a quick idea of the fact that we're not building too many newer structures. A lot of our structures are over 30 years old. So, right now, the way we accommodate that is with -- let me go back -- modular structures. This is one of the oldest ones we have. It's pretty deplorable and almost comic, but it does exist.

SENATOR SCUTARI: Wait a minute. Stay on that. That we actually use?

MR. BRENNER: Yes, we actually function out of that. But that's soon to be replaced by a modular unit.

SENATOR SCUTARI: That's the worst?

MR. BRENNER: It's the worst of the worst. It's been that way for 40 years.

ASSEMBLYMAN GUSCIORA: I like buildings like that.

MR. BRENNER: Well, I'm glad I showed it, then.

ASSEMBLYMAN GUSCIORA: It's a piece of America.

MR. BRENNER: Yes, it is.

And this is the newest one. This is perhaps the biggest and the best. We built this in '98.

SENATOR SCUTARI: Doesn't have the same character as the last one.

MR. BRENNER: Not at all, sir, no. Doesn't have that look.

And this is a typical salt storage structure. And you see this through almost every maintenance yard throughout the state. As I said, it does occupy a large amount of our square footage. So between warehouses,

vehicle repair buildings, and salt structures, that's why we add up to over 2 million square feet.

This modular office would take the place of something like the Pomona Yard. So instead of building new facilities, this is what we do today.

MR. MacCALUS: Where is this?

MR. BRENNER: This particular one?

MR. MacCALUS: Yes, this one in Ocean?

MR. BRENNER: Yes, it's just an Ocean Township maintenance yard. We had an old trailer there that somebody bought.

SENATOR SCUTARI: Is that on Route 9?

MR. BRENNER: Excuse me, sir?

SENATOR SCUTARI: Is that on Route 9?

MR. BRENNER: No, it's actually off of Route 34, by 18.

SENATOR SCUTARI: Okay.

MR. BRENNER: Yes, that's the Ocean Township Maintenance Yard. And we replaced an older trailer with a newer modular office.

This is an overall breakdown. Believe it or not, we have almost half the people out in the regions, and half the people in the headquarter's building.

And hopefully we're going to work with Treasury. And obviously the Newark lease is a big one. We want to be out of there this Summer.

And that is all.

ASSEMBLYMAN GUSCIORA: I'm serious about that old building-- You're tearing it down?

MR. BRENNER: Yes. After we put up the new modular unit, that one will-- It's not structurally sound.

ASSEMBLYMAN GUSCIORA: It's not structurally-- So, you have to replace it?

MR. BRENNER: Yes, sir.

ASSEMBLYMAN GUSCIORA: And how much is it going to cost to tear it down and replace?

MR. BRENNER: A modular structure costs us around \$200,000, and that's usually because the extensive footing work we have to put into it.

ASSEMBLYMAN GUSCIORA: And then how much would it be to renovate the old building?

MR. BRENNER: The old building? Probably cost us over \$500,000, because of all the fire alarm systems, sprinkler systems, HVAC-- You know, it just needs to go. It served its useful life.

SENATOR SCUTARI: That one didn't really look structurally sound. (laughter)

There was a piece of information in one of your first things that said -- you're going to be lease-free?

MR. BRENNER: Yes, sir.

SENATOR SCUTARI: Meaning that all the space that you guys have will be owned State property?

MR. BRENNER: Yes, as far as I know it will be. We will not have one lease.

SENATOR SCUTARI: With that last lease in Newark, if it's extinguished.

MR. BRENNER: Yes, sir.

SENATOR SCUTARI: Good. I don't think I have any other questions.

You won't be in front of us anymore, then?

MR. BRENNER: Yes, that's correct. (laughter)

MR. MacCALUS: The modular units: Is that one of the surplus, from the State?

MR. BRENNER: We are in contact with anyone who has surplus, and we have taken advantage of those in the past. So we're constantly in touch with each other. And if there's something available, and we can utilize it, we do.

MR. MacCALUS: Okay, because that -- Schools Construction Corporation?

MR. BRENNER: Yes.

MR. MacCALUS: And they have a bazillion of them.

MR. BRENNER: Yes.

MR. MacCALUS: And they have to dump them all.

MR. BRENNER: I'm storing probably almost 50 units right now, in two different locations, for them.

MR. MacCALUS: Okay.

SENATOR SCUTARI: Gentlemen, thank you very much. It was a lot easier than the Education, where I'm still freaked out about it.

You had a question?

ASSEMBLYMAN GUSCIORA: The MVC buildings where you renew your driver's license-- Is that part of your property?

UNIDENTIFIED MEMBER OF AUDIENCE: Sir, I'm not sure how many are State owned or leased, but they're not -- they're separate to ours.

ASSEMBLYMAN GUSCIORA: Bakers Basin is owned by the State?

MR. MacCALUS : That is an agency, I believe.

ASSEMBLYMAN GUSCIORA: But that's within the DOT.

UNIDENTIFIED SPEAKER FROM AUDIENCE: No, they're separate from us now. Several years ago, MVC was separated out.

DEPUTY TREASURER BELL: We can have them come back. They did their presentation before you were members of the Committee.

MR. MacCALUS: Last year.

SENATOR SCUTARI: Right.

DEPUTY TREASURER BELL: But, we can have them come back.

SENATOR SCUTARI: Who was that, Motor Vehicles?

DEPUTY TREASURER BELL: Motor Vehicle.

SENATOR SCUTARI: We might need them to revisit us, because they're all lease (indiscernible).

DEPUTY TREASURER BELL: No, no, no. They have a lot of owned, and they're building. They're actually building seven right now.

SENATOR SCUTARI: Yes.

DEPUTY TREASURER BELL: But we can certainly have-- They haven't been here in a year or so. So if you'd like to hear from them we'll invite them back.

SENATOR SCUTARI: Gentlemen, thank you very much.

MR. MacCALUS: We need a motion to adjourn.

SENATOR SCUTARI: Can we have a motion to adjourn?

ASSEMBLYMAN GUSCIORA: So moved.

DEPUTY TREASURER BELL: Second.

SENATOR SCUTARI: All in favor? (affirmative responses)

No one reports nay.

(MEETING CONCLUDED)