

Newark is entering 'new frontier' with idea to sell municipal buildings in time to close budget gap

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David Giambusso/The Star-Ledger



Mitsu Yasukawa/The

Star-Ledger The building at 94 William St. that houses Newark's health services is one of six locations being considered for sale to the Essex County Improvement Authority as a means of closing the city's massive budget gap.

NEWARK — Other cities may have hit upon the idea of selling their municipal buildings and property to close budget deficits, much like Newark has proposed to fix its own financial crisis.

But no expert could be found Wednesday who recalled any city trying to pull it off as fast as Newark is trying to do.

“This is a new frontier,” said James Hughes, dean of the Edward J. Bloustein School of Planning and Public Policy at Rutgers University. “To get it done in that time frame, all of the bureaucratic stars have to be in perfect alignment and that rarely happens.”

Newark is rolling the dice on a plan to sell six city buildings and rent them back to fill its 2010 budget gap, but the move faces a looming deadline and a small army of government entities that must sign off on the idea.

According to Frank Giantomasi, a lawyer for the Essex County Improvement Authority, which would buy the buildings and lease them back to the city, Newark is trying to run — not simply walk — a treacherous tightrope.

“We hope your ducks are in a row and we hope you don’t have question marks,” he warned the city council this week, “Is it doable? I don’t know.”

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Finance, welfare, health services, archives, traffic and signals and the municipal courthouse topped a list of properties potentially up for sale to the improvement authority, according to documents obtained Wednesday by The Star-Ledger. If successful, the deal would garner \$50 million for the city’s 2010 budget and forestall a 30 percent increase in property taxes.

The process starts on Tuesday and needs to end no later than October in order to get the \$50 million on the books by Nov. 18. In that time the plan needs to be finalized by the city council, accepted by the improvement authority, and appraised by the county and the city. A sale price has to be agreed on, the Essex County Board of Freeholders has to give it the nod, and the state Department of Community Affairs has to sign off.

From New York to California, city and state leaders have been selling municipal assets to prop up faltering budgets, and some have been doing it for years. The state of Arizona sold its legislature building. California is considering selling office space. Locally, West New York sold its public works building for \$8 million in 2008. Hoboken has been leasing back its municipal garage since 2005.

“What’s happening to government is what people are facing in their private lives,” said Mitchell Moss, an urban policy expert at NYU’s Wagner School. “They don’t have money to meet their expenses so they’re selling off their assets. Basically we’re having a giant municipal tag sale.”

But Newark is trying to accomplish it all in a few weeks.

The first hurdle will be the county authority, which meets Tuesday to consider the plan’s viability. If the ECIA gives the nod, the city and county have to agree on a price. According to County Executive Joseph DiVincenzo, that’s where the real delay begins. “The biggest thing is going out and getting an appraisal and seeing what these properties are worth,” DiVincenzo said. “That’s anywhere from 30 to 45 days.”

Following the appraisals, the freeholders will vote on whether to approve the plan at one of two meetings in September and the state Local Finance Board would have to approve it soon thereafter.

“Newark has technically missed the deadline for the September meeting,” said DCA spokeswoman Lisa Ryan. “The Local Finance Board might be willing to entertain a late application if it came in well in advance of the advertising deadline.”

Barring that, the board could not review the application until Oct. 13. State officials said the city could then be credited with the funds, but one step would remain to bring the money home.

“After you get everything done and we all agree, then you have to get somebody to buy the bonds,” DiVincenzo said.

The list of buildings is still being considered and features two “tiers.” The top tier lists properties that seem viable for lease-back. The bottom tier includes four firehouses and eight police stations that the city is considering selling outright. A final list must be approved by the council.

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