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# *Commission Meeting*

of

## STATE HOUSE COMMISSION

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**LOCATION:** Committee Room 3  
State House Annex  
Trenton, New Jersey

**DATE:** March 15, 2012  
9:00 a.m.

**MEMBERS OF COMMISSION PRESENT:**

Dominick DiRocco, Chair  
Senator Bob Smith  
Senator Gerald Cardinale  
Assemblyman Joseph Cryan  
Assemblyman Christopher J. Brown  
Charlene M. Holzbaur  
David A. Ridolfino



**ALSO PRESENT:**

Robert J. Shaughnessy Jr.  
*Secretary*

Gary A. Kotler  
*Counsel*

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

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**DOMINICK DiROCCO (Chair):** Good morning, ladies and gentlemen, and welcome to the March 15, 2012, meeting of the State House Commission.

Bob, please read the Open Public Meeting statement.

**MR. SHAUGHNESSY (Secretary):** Thank you, Mr. Chair.

In compliance with Chapter 231 of the Public Laws of 1975, notice of this meeting was given by way of notice filed with the Secretary of State, and delivered to the State House press corps, and posted at the Office of the State House Commission on March 8, 2012.

May I call the roll?

**MR. DiROCCO:** Yes, please.

**MR. SHAUGHNESSY:** Senior Counsel DiRocco.

**MR. DiROCCO:** Here.

**MR. SHAUGHNESSY:** Associate Deputy State Treasurer Ridolfino.

**DEPUTY TREASURER RIDOLFINO:** Here.

**MR. SHAUGHNESSY:** Director Holzbaur.

**DIRECTOR HOLZBAUR:** Here.

**MR. SHAUGHNESSY:** Senator Cardinale.

**SENATOR CARDINALE:** Here.

**MR. SHAUGHNESSY:** Senator Smith.

**SENATOR SMITH:** Here.

**MR. SHAUGHNESSY:** Assemblyman Brown.

**ASSEMBLYMAN BROWN:** Here.

**MR. SHAUGHNESSY:** Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Here.

MR. SHAUGHNESSY: Okay.

MR. DiROCCO: Thank you, Bob.

And we have-- I guess we'll move into our old business first.  
We have minutes to approve.

MR. SHAUGHNESSY: Yes, sir.

The first matter is approval of the December 15, 2011, State House Commission meeting minutes.

SENATOR SMITH: So moved.

MR. SHAUGHNESSY: So moved; do I have a second?

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Okay -- motion and second.

All in favor?

ALL: Aye.

MR. SHAUGHNESSY: Any nays? (no response)

ASSEMBLYMAN BROWN: Abstain.

MR. SHAUGHNESSY: One abstention noted. Thank you very much.

Okay, next we're moving on to items-- Well, items 1 through 7 are under old business--

MR. KOTLER: Two through 7.

MR. SHAUGHNESSY: Two through 7 now are under old business -- thank you, Counselor. Item No. 6, for the record, is just being held until the next meeting. So item No. 6 is presently being held.

Moving on to item No. 2 under old business: Berkshire Valley Wildlife Management Area, Block 255, part of Lot 25.01, Jefferson

Township, Morris County. DEP requests approval to convey approximately 0.049 plus-or-minus acres of land in fee and 0.027 plus-or-minus acre in easement to Morris County in connection with the replacement of the existing temporary bridge with a new permanent bridge. This request was approved by the State House Commission at its October 13, 2011, meeting but is being revised to slightly increase the acreage to resolve some ownership issues pertaining to the underlying right-of-way for the existing bridge.

To compensate, the County will provide \$53,427 in time and materials to improve public access. In addition, the County will provide and install forty-three 3-inch caliper replacement trees and fifteen 2 to 3 gallon shrubs, at an estimated value of \$36,550 in time and materials.

With regard to this one, do we have any member comment?

(no response)

Any public comment? (no response)

May I have a motion?

SENATOR SMITH: So moved.

ASSEMBLYMAN CRYAN: Second.

MR. SHAUGHNESSY: Motion and second. I'll call the roll.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer  
Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: That matter is approved.

MR. DiROCCO: What I should have done -- before we go on to the next item -- Assemblyman Brown, I just wanted to welcome you here. And you're sitting in for Assemblyman Rible today, and we thank you for being here.

ASSEMBLYMAN BROWN: No, I'm very happy to be here.

MR. DiROCCO: I should have done that earlier -- sorry.

ASSEMBLYMAN BROWN: Thank you.

MR. SHAUGHNESSY: No. 3: Tuckahoe Wildlife Management Area, Block 7602, part of Lot 29, Egg Harbor Township, Atlantic County. DEP requests approval to convey approximately 0.520 plus-or-minus acres of land in fee within the Tuckahoe WMA to Atlantic County in connection with the replacement of County Bridge EH-21 on County Route 559, over the English Creek in Egg Harbor Township.

To compensate, the County agreed to provide \$5,000 in materials and delivery costs to improve access to the Great Egg Harbor WMA. On December 15, 2011, the State House Commission approved this conveyance as 0.200 plus-or-minus acres of land and fee within the

Tuckahoe WMA to Atlantic County. If this amendment request is approved, the area to be conveyed would increase to 0.520 plus-or-minus acres to include an area of deed overlap created when the DEP acquired the property in July 2003.

Any member comment or questions? (no response)

Any public-- Yes, sir?

Any public member or public comments? (no response)

Okay, may I have a motion, please?

ASSEMBLYMAN CRYAN: Motion.

MR. SHAUGHNESSY: Second?

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Okay, I'll take the roll.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer  
Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: That matter is approved.

On to No. 4, a DOT request. This project is Route 70, Section 15, Parcel VXR36B, Block 107.01, Lot 15, Brielle Borough, Monmouth County. The New Jersey Department of Transportation requests approval to sell by auction an approximately 1.16 acre surplus property improved with a vacant two-story single-family dwelling. On November 22, 2010, the State House Commission granted approval to auction the land and dwelling with a minimum bid of \$1 million. An auction was held on February 25, 2011, with no bids being received. The property has since been reappraised and the appraised value is \$660,000. The Department of Transportation is now seeking approval to auction the property with a minimum starting bid of \$660,000.

Any member comment or questions? (no response)

Any public members, from the public, who would like to talk about this matter? (no response)

Hearing none, I--

ASSEMBLYMAN CRYAN: Motion.

MR. SHAUGHNESSY: Motion; second?

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Thank you, gentlemen.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: That matter is approved. Thank you.

No. 5: This is RPR #07-08, Block 6801, Lot 1 at Ancora Hospital, Winslow Township, Camden County. Treasury, on behalf of the Department of Human Services, requests approval to lease property located on the grounds of Ancora Hospital to Catholic Charities, known as Delaware House, a service provider under contract with the Division of Mental Health Services, to be used as a group home. I understand these are eight homes, formerly employee housing.

Since this action directly benefits the State, the lease will be for a five-year term with one, five-year renewal option at an annual rental of \$1 per year. All utilities used or furnished to the premises will be paid by the lessee. This action was previously approved by the State House Commission at its December 11, 2006, meeting.

Is there any member comment or questions on this? (no response)

Hearing none, any public members wishing to speak on this matter? (no response)

Motion?

ASSEMBLYMAN CRYAN: Motion.

ASSEMBLYMAN BROWN: Second.

MR. SHAUGHNESSY: Thank you, thank you.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: That matter is approved.

No. 6 is held, as previously stated.

No. 7, under old business: RPR #12-10, Block 2101, part of Lot 53, Vineland Developmental Center, Vineland City, Cumberland County. Treasury, on behalf of the Department of Human Services,

requests approval to lease property located on the grounds of Vineland Developmental Center, West Campus, to the Vineland Board of Education for use as a public school. The lease will be for a one-year term with a one-year renewal option. The base rental will be \$260,000 annually, plus \$122,000 for utility expenses, for a total rental of \$382,000 for the year. This action was previously approved by the State House Commission at its meeting of October 13, 2011; however, that lease will expire at the end of September 2012.

Any member question or comments on this matter?

ASSEMBLYMAN CRYAN: A quick one.

MR. SHAUGHNESSY: Yes, sir.

ASSEMBLYMAN CRYAN: There's-- I believe Vineland's plans for the future are up in the air. Is the reason for the one-year because we haven't decided on what we're doing with the development center overall? Is that the reasoning?

MR. SHAUGHNESSY: I think, rather-- Assemblyman, my understanding is that there is a sincere attempt for the Vineland School Board to purchase this building, and there are actions underway. So I think the reason is to get a bit more time so the purchase could be set; and ultimately to dispose it -- the Vineland Developmental Center.

ASSEMBLYMAN CRYAN: My only question is, is as I understand it the Developmental Center is undergoing--

MR. DiROCCO: And so what happens if the Center is--

ASSEMBLYMAN CRYAN: Right.

MR. DiROCCO: That's right.

ASSEMBLYMAN CRYAN: So how's that all-- Is there a cohesive tie in play?

MR. DiROCCO: Right. Do we know if the lease addresses the prospect of the entire property being conveyed at some future point?

MR. SHAUGHNESSY: At present, the way I understand it, the Vineland Board of Education is going to separate the school off the utilities so there'd be a stand-alone and the balance of the property will be separately disposed of and dealt with.

MR. DiROCCO: Makes sense.

MR. SHAUGHNESSY: Any other members' comments?

ASSEMBLYMAN BROWN: Just one.

MR. SHAUGHNESSY: Yes, Assemblyman Brown.

ASSEMBLYMAN BROWN: Is there an appraised value on the property they're leasing now? Has there been a consideration struck between the Board--

MR. SHAUGHNESSY: Yes, sir. There's an understanding that the rental will be \$382,000; that's inclusive of utilities.

ASSEMBLYMAN BROWN: No, no, no -- the value of the building that they're purchasing.

MR. SHAUGHNESSY: Oh, no sir. There's not yet. That will have to come from the State House Commission.

ASSEMBLYMAN BROWN: So they haven't gotten to that point yet.

MR. SHAUGHNESSY: That's correct. There has not been a valuation of the building.

ASSEMBLYMAN BROWN: That will come back before us?

MR. SHAUGHNESSY: Yes, sir.

ASSEMBLYMAN BROWN: Okay. That's where I was going to go with that.

MR. SHAUGHNESSY: Any public members who want to be heard on this matter? (no response)

If not, may I have a motion.

ASSEMBLYMAN BROWN: So moved.

ASSEMBLYMAN CRYAN: Second.

MR. SHAUGHNESSY: And a second.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: Thank you, that matter is approved.

Okay, now on to new business matters.

No 8: RPR #12-15, Block 905, part of Lot 10, Woodbridge Township, Middlesex County. The New Jersey Department of the Treasury, on behalf of the Department of Corrections, requests approval to convey 8.06 plus-or-minus acres of vacant land to the adjacent property owner, Sansone Dealership Group. The property will be sold for fair market value as determined by an appraisal.

Any member comment or question on this?

ASSEMBLYMAN CRYAN: Sorry -- what's the price?

MR. SHAUGHNESSY: I'm sorry; the price-- I think it is in the members' booklets and things. It's-- Yes, it's-- There's an appraised-- I didn't mean to hide it in there, but it's in there: \$850,000 would be the sale price -- which is the appraised value based upon the appraisal.

ASSEMBLYMAN CRYAN: Thanks.

MR. SHAUGHNESSY: Any other members' questions or comments?

SENATOR SMITH: Is this 8 acres on Route 1?

MR. SHAUGHNESSY: I'm not sure how much frontage, if any, on Route 1. No, there's none.

SENATOR SMITH: Behind the prison?

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: Right next to the prison -- yes.

SENATOR SMITH: Okay.

MR. SHAUGHNESSY: There is no frontage on Route 1.

SENATOR CARDINALE: Why is there no auction?

MR. SHAUGHNESSY: Why isn't it auctioned?

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Because what we typically do under a circular letter -- if an adjacent property owner has an interest in a property, they can have a direct sale, but it's at an appraised value. So that's under our system.

SENATOR CARDINALE: You know, I haven't been particularly impressed with the efficacy of the appraisals we've been getting. And I don't understand why we would not want to have competition for these properties. Ten thousand an acre doesn't sound to me like a reasonable price, but I have no particular expertise with respect to this particular location. And where we can be assured that it's objective is when we have competition for the purchase of these properties.

Now, is there no potential user for this property other than this one adjacent property owner? In other words, is there limited access, are there factors that I don't know about that would dictate that you have to sell it to this particular dealership?

SENATOR SMITH: There's a picture, Gerry, in the book, and it might be an aerial. It might be helpful.

SENATOR CARDINALE: I still think it's very low.

MR. DiROCCO: Is there anyone from Treasury who can speak to the process, generally, that whereby it is common practice to offer to adjacent property owners before going to auction?

MR. SHAUGHNESSY: Well, I can add, Mr. Chair, that under the Treasury circular letter, to the extent there is an adjacent property owner, and if this is the only adjacent property owner, then we would typically do that. If there are two adjacent property owners, or three, and

they're all interested, then we would move to an auction process. And my understanding is that's not this case.

MR. DiROCCO: And I would imagine that the purpose of offering to an adjacent property is to dispatch with the burdensome requirements associated with the appraisal, when it's likely that an adjacent property owner would be interested because of the proximity.

MR. SHAUGHNESSY: Yes. And what we do when an appraisal is procured -- we'll also have it reviewed in-house so there is, in essence, a double review process.

MR. DiROCCO: And just for the record, on this property, I think it was -- it's \$850,000 -- the sale price, for 8 acres? So it's about \$100,000 an acre?

MR. SHAUGHNESSY: That's correct.

SENATOR CARDINALE: Oh, it's \$100-- I'm sorry.

MR. SHAUGHNESSY: Yes, it's \$850,000.

ASSEMBLYMAN BROWN: And the way I understand it, this piece of property right now is not on the township tax rolls, correct?

MR. SHAUGHNESSY: That's correct. It's exempt.

ASSEMBLYMAN BROWN: Okay.

SENATOR CARDINALE: In terms of that appraisal, I notice that in some of the other appraisals we have at least some comparables. I didn't see that in this one.

MR. SHAUGHNESSY: The appraisal itself?

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: I don't know that it's included in your packets, Senator; you're correct.

ASSEMBLYMAN BROWN: There's a Treasury certification.

MR. SHAUGHNESSY: We can provide the appraisal, if the Senator wishes.

SENATOR CARDINALE: Are there, in that appraisal, are there comparables?

MR. SHAUGHNESSY: Oh, I would--

SENATOR CARDINALE: Is this price per acre comparable to other sales in this vicinity?

MR. SHAUGHNESSY: I--

SENATOR CARDINALE: Similarly situated properties?

MR. SHAUGHNESSY: I believe so. We have an on-staff appraiser here, too, who could probably be more helpful than I can.

SENATOR CARDINALE: Are they here?

MR. SHAUGHNESSY: Yes.

Mr. Tighue.

MR. DiROCCO: Good morning.

**ROBERT J. TIGHUE:** Good morning.

MR. DiROCCO: Could you state your name for the record?

MR. TIGHUE: Yes, Robert Tighue. I work for the Department of Management and Construction, Department of Treasury.

I, unfortunately, don't have a copy of that appraisal with me; it's in my office, I can get it in five minutes if you need it. But it was prepared by an MAI appraiser from the Woodbridge area who-- I reviewed the appraisal. It was done as per appraisal standards. It seemed like a-- Actually, I felt that it was a generous appraisal. We're talking about land that is in the back of a prison; has no frontage on Route 1; has wetlands

issues; there is a stream that runs through the middle of it and, quite frankly, it was never going to be developed unless-- We were fortunate that Sansone had come to us to ask if they could purchase this property because we were able to actually get some money from this -- a piece of property that would probably just be sitting there with no use.

MR. SHAUGHNESSY: Mr. Tighue, you are a licensed appraiser as well?

MR. TIGHUE: Right. I'm also an MAI appraiser, I have a master's degree in real estate from New York University. I've been in the business since I was 18.

MR. DiROCCO: So in your expert opinion, the appraisal is defensible and is up to par?

MR. TIGHUE: Yes, absolutely. I lost my (referring to PA microphone). Yes. (laughter) We're having trouble with-- I guess I-- I feel like I'm on the Oscars, I have a time-- Yes, absolutely -- very defensible. I mean, again, if anything I thought it was generous. So yes, I felt very comfortable with that value. And I believe, actually, it's \$860,000, not \$850,000.

MR. SHAUGHNESSY: I'm sorry; thank you.

ASSEMBLYMAN BROWN: The memo says \$850,000.

MR. TIGHUE: Is it \$850,000?

ASSEMBLYMAN BROWN: Yes.

MR. TIGHUE: Okay. I'm getting that mixed up -- the other one is \$960,000, okay; this one is \$850,000.

MR. DiROCCO: So I guess we have a couple of ways we could proceed. We could table this and have the appraisal brought to our

attention at a later date. I, personally, am comfortable with the testimony, but I don't want to speak for anyone else on the Commission.

ASSEMBLYMAN CRYAN: I think it's okay, too; move it.

MR. SHAUGHNESSY: Okay -- second?

ASSEMBLYMAN BROWN: Second.

MR. SHAUGHNESSY: I'll call the role.

Oh, I'm sorry. Let me just make sure-- Is there any -- thank you, (indiscernible). Is there any public comment before we call the roll?  
(no response)

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer  
Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: The matter is approved.

We're now on to No. 9, an MSU request. This is RPR #12-16, Montclair State University. It actually involves a bit of three municipalities: Block 1004, part of Lots 1 and 1.01, Montclair, Essex County; Block 62.03, parts of Lots 12 and 15, Block 74.01, part of Lot 1, in Clifton City, Passaic County; and Block 250, part of Lots 1, 1.01, 1.03, 1.09, 4, 4.01, 5, 5.01 and 6, in Little Falls, Passaic County.

Treasury, on behalf of Montclair State University, requests approval to grant easements to UMM Energy Partners, LLC for the installation and maintenance of a combined heating and cooling distribution system that will be located on the grounds of Montclair State University. The distribution system will link approximately 19 University campus buildings into a loop being constructed at the University. This system will replace an existing combined heating and cooling plant and distribution system that has reached the end of its life cycle.

Since this action directly benefits the State University and the State, the easements will be granted for \$1.

Are there any members who want to raise any questions or comments on this matter? (no response)

Any members of the public who are here who want to be heard? (no response)

Hearing none, may I have a motion?

SENATOR CARDINALE: Move it.

MR. SHAUGHNESSY: Second?

SENATOR SMITH: Second.

MR. SHAUGHNESSY: Second? Okay, motion and second.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer  
Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: That matter is approved.

No. 10: RPR #12-17, Block 110, part of Lot 1, Woodbine Developmental Center, Woodbine Borough, Cape May County. Treasury, on behalf of the Department of Human Services, requests approval to lease two single-family homes located on the grounds of the Woodbine Developmental Center to a private service provider to develop the properties as group homes. The service provider will be chosen through a competitive process currently underway by the Division of Developmental Disabilities.

The program will provide five beds in each home for male individuals eligible for DDD services. The lessee will be required to pay for utilities, repairs, maintenance, and renovations of the properties. Since this

lease will directly benefit the State, the lease will be for a five-year term, with two, five-year renewal options, at an annual rent of \$1; and will be contingent upon the lessee having a current service contract with the DDD.

I don't know if any members have any comments or questions about this; I think we have members, if necessary, from DHS on this.

Yes?

ASSEMBLYMAN CRYAN: I got a letter from a Richard -- I hope I say it right -- Tonetta. Did anybody else get that, from the Borough of Woodbine, talking about a Megan's Law implication here? He seems to make a couple of pretty decent points. Have you talked to him at all?

MR. SHAUGHNESSY: Is there anyone here who could talk to this point?

Please come on up and identify yourselves; thank you.

EILEEN FRALINGER: Good morning. I'm Eileen Fralinger from the Division of Developmental Disabilities.

KATHERINE FLING: And I am Katherine Fling, Director of Property Management and Construction from the Department of Human Services.

ASSEMBLYMAN CRYAN: Did you see the letter I'm talking about? It's from a solicitor from Woodbine who indicates there is Megan's Law notification issues and some real concerns with the community.

MS. FLING: We have not seen the letter, but we are familiar with the issue.

ASSEMBLYMAN CRYAN: Okay, so--

MS. FLING: Eileen is here to speak to that issue.

MS. FRALINGER: There's no change to the men who are already living in these homes. There are 10 men living in these homes; they've been living in these homes for a number of years. It's just been part of the Developmental Center. The change is that an agency -- provider agency -- would take over supervision of the homes. The men who are in the homes, one of them is Megan's Law, and he does already report to the State Police. There is no local police department in Woodbine, so he reports to the State Police every 90 days as required. His next date to report is May 10.

ASSEMBLYMAN CRYAN: So I believe the letter indicates that there are notification issues. Are we saying--

MS. FRALINGER: Again, since there is no local police, they notify-- Woodbine Developmental Center notifies the State Police of anybody living on the grounds who is Megan's Law status.

ASSEMBLYMAN CRYAN: Okay, all right.

MS. FRALINGER: And he is registered with the State Police.

MR. SHAUGHNESSY: Any other questions or comments?  
Members?

ASSEMBLYMAN CRYAN: I may.

MR. SHAUGHNESSY: Sure, take your time, Assemblyman.

MR. DiROCCO: Sir, does this just -- a quick question while the Assemblyman's looking up the letter -- does this arrangement change the notification requirements, or have any impact on the responsibilities of the resident under the law?

MS. FRALINGER: As far as I know, the notification process is the same. The only difference would be that the provider agency that is

now supervising the home would be responsible to make the notification and take the individual for his meetings every three months.

MR. DiROCCO: And the provider is aware of that--

MS. FRALINGER: Yes.

MR. DiROCCO: --and has committed to doing that?

MS. FRALINGER: Well, we don't-- We haven't reviewed the proposals yet; they're not due until the middle of April.

MR. DiROCCO: But that'll be a component--

MS. FRALINGER: But it's very clearly outlined in that, that they will have to make provisions for those things, and they're well aware of the population that's living in those homes.

MR. DiROCCO: Thank you.

DEPUTY TREASURER RIDOLFINO: So it will be part of your contract--

MS. FRALINGER: Yes.

DEPUTY TREASURER RIDOLFINO: --with the provider?

MS. FRALINGER: Yes.

SENATOR CARDINALE: Is there an issue with respect to the proximity to the school buildings?

MS. FRALINGER: I'm sorry, I don't know where the school building in the township is.

MS. FLING: To the local school building?

SENATOR CARDINALE: It's right behind it.

MS. FLING: These are group homes that are located on Dehirsch Avenue. They're actually on the far side of the Woodbine campus, and I'm not familiar with where the school is. I have made many trips to

Woodbine and never passed a school, so I think the group homes are more remote from the school than, perhaps, you're thinking it is.

ASSEMBLYMAN BROWN: You know, after reading this, I'm going to make a motion to table this particular item until we hear from, maybe, Woodbine, and their solicitor coming up and maybe having a few comments. If they're here -- I don't know. But it seems to me that the information that they're saying that they're getting is not timely; and the fact that they would be able to provide a comment or make arrangements to be here. So I would make that -- off-the-cuff, table this.

SENATOR SMITH: I don't think that's an unreasonable request, especially in light of the fact that we're trying to have a special meeting in April. So that shouldn't hold things up for too long -- less than a month or less. We should make a point of inviting them to the meeting so that we can hear what they have to say.

MR. DiROCCO: Seems reasonable to me.

Are there any reasons why that would be problematic, Mr. Shaughnessy?

MR. SHAUGHNESSY: That's probably better answered by DHS.

MS. FLING: It wouldn't impact our ability to award the contract, because we are still in the request for proposal stage. We would like to get a copy of the letter that you're all referring to.

MS. FRALINGER: Thank you.

MS. FLING: And perhaps we can address the comments in that letter more directly at the April meeting.

ASSEMBLYMAN BROWN: That would be great.

SENATOR SMITH: I second the Assemblyman's motion.

MR. SHAUGHNESSY: Okay, so we have a motion and second to table to another meeting.

Any discussion on that motion? (no response)

Okay -- motion and second.

I'll call the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: Okay, the motion to table is passed.

Moving onward to No. 11 on our agenda: RPR #12-19, Block 322, part of Lot 6.01, Ewing Township, Mercer County. Treasury, on behalf of the Department of Children and Families, requests approval to sell by direct sale 5.03 plus-or-minus acres of vacant land located on the

grounds of Ewing Residential to the adjacent property owner, the non-profit Seix Academy. The Seix Academy previously purchased vacant land from the State for the construction of the Seix Academy. This property will be sold for fair market value as determined by an appraisal, and we do have an appraisal in hand. It was appraised by the Sockler Realty Services Group, Incorporated, indicating the value of the property is \$126,000 as of November 9, 2011. And I understand this property is vacant and landlocked, and this is the only adjacent property owner.

Do we have any member comment or questions on this? (no response)

Any public members who want to be heard?

Okay, may I have a motion? Motion?

MR. DiROCCO: I'll move it.

MR. SHAUGHNESSY: Second?

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Okay, we have a motion and second.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer  
Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: That matter is approved.

Okay, we're now on to Nos. 12 through 42 on the agenda. These matters are the same or similar matters. And I would just like to briefly say that Treasury, on behalf of DEP, proposes new leases of DEP residential properties to existing tenants for a one-year term; with the possibility of four one-year renewal options, with those renewal options being increased based on the Consumer Price Index. All leases are proposed at current fair market value based upon an independent appraisal that was procured at the end of last year.

For efficiency, we will move them together, unless there are any comments or questions about any specific ones. And after calling each item by name, I will then ask for approval, collectively.

Before I start, I just want to make sure: Is there anyone in the audience, any public member, who would like to be heard on any of these DEP residential leases? (no response)

Okay, so--

SENATOR CARDINALE: Before you--

MR. SHAUGHNESSY: Absolutely, Senator; go ahead.

SENATOR CARDINALE: --go further. I know that we have had this issue before us several times in the past. I'd like to make a suggestion that, instead of having these options, we make all of these a one-

year lease; that we then advertise the availability of these properties in the area in which they are located; that we solicit local real estate brokers who specialize in rental properties; and we solicit offers from other people. The reason I say this is-- My own expertise in rental is not in the areas where these properties are located. But if I translate my own business experience in rental properties, it seems to me that on some of these, were they on the tax rolls, the amounts of money that we're talking about for rental would not even amount to what the property taxes would be. And I may be totally wrong, but that's the way it seems to me.

And there are differences from one to another, but we have some properties here which are lakefront, and where the pictures look like they're very nice places. We have one with an in-ground pool. We have a whole series of things that say to me -- that make me uneasy with respect to the values. On some of them we have comparables, but those comparables don't seem to me to tell me an awful lot. I think the best comparable you can get is what someone else is willing to pay. I am concerned that many of these have been leased by the same individual since 1993, some others from 2000. But the people who are in these seem to be the only people being solicited. And I may be wrong; maybe we are soliciting other people and they're just not willing to pay the price. I would feel a lot easier if we made these all one-year, and followed some normal marketing.

If I owned these properties on my own account, I would do what I'm suggesting we do, and I think that's a fair way to proceed.

SENATOR SMITH: There is one other thought, Senator. Is there a reason why we continue to have this large inventory of rental homes, and can some of these be disposed of by sale? It seems to me that

we've become landlords pretty extensively in the State. If this is surplus property, shouldn't somebody be looking at this to see if some of these can be disposed of on the open market?

MR. SHAUGHNESSY: Let me address Senator Smith's question the best I can at this point. I understand most, if not all, of these were acquired by DEP via a reservoir project many years ago, and maybe someone from DEP could help us out a little bit on that issue. And they may not be subject to being sold and put back on the tax rolls, as Senator Cardinale suggests.

Marci Green -- good morning.

**M A R C I D. G R E E N, ESQ.:** Marci Green, Administrator of Leases for DEP.

As the Chair (*sic*) said correctly, these were purchased by the Department of Environmental Protection for -- most of these -- for reservoir purposes -- for Six Mile -- some of them are Six-Mile Run Reservoir, I believe. And under the statute that allowed that acquisition, the properties can't be sold. The property has to be retained if and when the Department ever needs the property for reservoir purposes.

SENATOR SMITH: What do you mean for reservoir purposes?

MS. GREEN: To construct a reservoir. And I'm not sure if all of them fall under that, but I believe that most of them are in reservoir areas -- for water supply purposes, basically. So there was a need when the State acquired it, looking in the future for possible water supply reasons. And that's why they were acquired.

SENATOR SMITH: Do you have any idea how many total residential properties we lease out of the DEP?

MR. SHAUGHNESSY: About 40 or so now; 40 to 45.

SENATOR SMITH: Forty, does that sound right?

MS. GREEN: Yes, yes.

MR. SHAUGHNESSY: Approximately.

MS. GREEN: The Department has a memorandum of agreement with the Department of Treasury from 1992 to administer these leases on behalf of DEP.

SENATOR SMITH: Has there been any study of whether or not we're ever going to do these reservoirs?

MS. GREEN: I don't know. I don't believe there has been one recently; but I know from other conversations we've had from other tenants -- some non-residential tenants -- on the properties that we're kind of locked into not being able to release these properties because of the statute under which we acquired them -- for water supply purposes.

SENATOR SMITH: This is something that Senator Cardinale and the Assembly people do all the time: we change statutes. (laughter) The real question is should you continue to keep this inventory, or as these reservoirs are never going to be built, why are we landlords?

MS. GREEN: Right. And I'm not a water supply expert, so I couldn't speak to that, but certainly people in the Department--

SENATOR SMITH: Could you bring that thought back to the DEP and see if you can get some kind of response to the question?

MS. GREEN: Certainly, certainly.

MR. SHAUGHNESSY: Thank you very much.

But that's not addressing Senator Cardinale's questions. I think yours was directed differently.

MR. DiROCCO: Marci, before you leave, could you-- Are you in a position to answer the question about whether -- offering a one-year lease and then being able to advertise subsequently -- would that be a problem administratively or is there some statutory prohibition? Or is that something that you guys could do?

MS. GREEN: Well, the Department of Treasury administers these leases, and they have more experience with these tenants than we do at this point, since they've been doing it since 1992, 1993. So I don't know.

MR. SHAUGHNESSY: We do have some experience. I was not around at that point; however I understand many of these tenants are the original owners from whom DEP acquired these properties -- or even their children, at this point; some have been long-standing tenants since acquisition by DEP. But it's just an administrative burden to come back every year and lease things. I'm not saying that can't be done.

To respond to the Senator's question, quickly: I think that we did hire a licensed appraiser -- appraisers -- familiar with these areas, Senator, who went out and actually saw these properties, took pictures of these properties, and came up with these values. Those were reviewed internally, I think, by our staff. So I understand--

SENATOR CARDINALE: I've looked at those, by the way, and it's a little confusing as to how he came to the final value. Because he does speak to a range of value, and in most of these final values it's at the lowest end of that range of values. Now, that's not true of every one; but

he has come up with-- I think there's one, at least, where the rent is a reduction from the prior rental.

MR. SHAUGHNESSY: You're correct; there's a handful--

SENATOR CARDINALE: Most of them are small increases, but one-- And some of them are fairly substantial increases. But it is very troubling, and you've made it even more troubling that the children of some of the original tenants are now-- This almost sounds to me like New York City--

ASSEMBLYMAN BROWN: Rent control.

SENATOR CARDINALE: --rent controlled apartments which become inherited. And that's not what we're supposed to be doing here; we're supposed to be husbanding the State's assets and getting-- Even if we can't sell them, I mean, I would love to see Senator Smith's suggestion pursued. However, if we can't sell them, we should at least be getting, for taxpayers of the State of New Jersey, fair market value. And I'm not satisfied that that's what's happening.

Now, we've held this up for a long time; so I don't want to make a motion simply to table these, but to let them go forward-- And I don't mean to be forever that we would never go beyond a one-year lease, but at least in these that we get a reassurance that we are getting fair market value by doing the normal marketing things that every private landlord does -- go out and solicit with the people in that vicinity who deal in this stuff, "Hey, we've got these properties available. What can you get for us?" Make it available to the public in general, and we might find that we can get-- Well, maybe we won't find that we can get any more. Maybe these are perfectly okay. I do not have the staff, the expertise to go in and to try

to second-guess your appraisals on each and every one of these properties. They just look to me like they're very low.

SENATOR SMITH: I think the Senator is right. We should go to a one-year lease. And can we invite in Treasury and DEP -- for Treasury in the case of how are you going to implement this offer to the public, and the DEP -- do you need all these properties or not? That could go to a future meeting. But if Senator Cardinale's motion is to grant leases for one year, I'm happy to second it.

SENATOR CARDINALE: Thank you.

MR. SHAUGHNESSY: Okay. So we have a motion and a second. Well, let me read-- I'm going to go through and at least read the leases being considered.

SENATOR SMITH: Just before you do--

MR. SHAUGHNESSY: Yes, sir?

SENATOR SMITH: There's too much going on, on a day like today. I'm committed to be at a meeting at 10 a.m., so I just wanted to record for the record that I'm in favor of the rest of the items on the agenda--

MR. SHAUGHNESSY: Thank you, Senator.

SENATOR SMITH: --and recusing myself from item No. 50, which is a New Brunswick matter, on the Steve Lonagan theory that if you're employed by them you shouldn't be voting on anything that affects them. And I have an associate in my office who is the zoning board attorney in the City of New Brunswick. So I'm recusing from No. 50, and yes on everything else.

And I'm asking that we postpone -- because I'd like to be here for that discussion -- until the next meeting--

MR. SHAUGHNESSY: Which discussion? I want to be clear.

SENATOR SMITH: Well, I sent to the Chairman--

MR. SHAUGHNESSY: Okay.

SENATOR SMITH: --an interagency memorandum about the valuation of leases. Not only would I like to be there, but yesterday I was visited by representatives of El Paso, who apparently are going to be on the agenda for one of these leases. And they-- You know, I said to them on the issue of valuation, "Why can't the State use a different basis?" And they said that there is an interstate commerce clause problem; that FERC can somehow -- supersedes our jurisdiction. So I asked them to give to me, in writing, their legal position; we'll have OLS check it out. But that should be part of the discussion. Let's save the interagency memo until we have the legal authority from El Paso and somebody on our team having a chance to evaluate it. Okay?

MR. DiROCCO: Absolutely; thank you, Senator.

SENATOR SMITH: That being said, *hasta la vista*. (laughter)

MR. SHAUGHNESSY: Thank you, Senator Smith.

Okay, with regard to items 12 through 42 I'm going to quickly just read the number and the names of the tenant. And then we'll take a vote, collectively, based upon the comments, and at least approving a one-year lease with the conditions specified.

No. 12 is a lease to Robin Ennis; No. 13, a lease to Jean Michael; No. 14, lease to Ann Sobel; No. 15, lease to James Smith; No. 16, lease to Joanne and Michael Proidakis; No. 17, lease to Jeffrey and Dolly

Snyder; No. 18, lease to Mary Ann Goodstein; No. 19, lease to Bruce and Roberta Lake; No. 20, lease to Augustine and Maureen Scafidi; No. 21, lease to Vivian Shields; No. 22, lease to Middlebush Farms; No. 23, lease to George Brickman and Laurie Morse; No. 24, lease to Steven and Anna Brenner; No. 25, lease to Anna Higgins; No. 26, lease to John Van Cleef; No. 27, lease to Ellen Wilson; No. 28, lease to Ernest and Marion Stillwell; No. 29, lease to Ruth Stewart; No. 30, to Debra Cook; No. 31, Richard and Diane Millman -- pardon me -- No. 32, lease to Donald Dolan Sr.; No. 33, lease to Eugene and Doris Gambrell; No. 34, lease to Donald Dolan Jr.; No. 35, lease to Charles and Joyce Applegate; No. 36, lease to David and Linda Bell; No. 37, lease Jefferson Lakes Camp; No. 38, lease to Patrick and Patricia Sasaki; No. 39, lease to Edward Krutsick; No. 40, lease to Scott and Barbara Hewitt; No. 41, lease to Jeffrey McNeel; and finally, No. 42 is a lease to Elbereth LLC, doing business as Bug Juice Properties.

Those matters are all up for a motion.

MR. DiROCCO: And just to be clear, before we take a motion: What we're doing is we're simply eliminating the four-year renewal options and just limiting them to one-year lease, correct?

MR. SHAUGHNESSY: That's correct.

MR. DiROCCO: That's the motion -- okay.

MR. SHAUGHNESSY: For the value listed -- the appraised value.

SENATOR CARDINALE: What happened to 43 (indiscernible)

MR. DiROCCO: Right; for the value listed in the agenda -- for one year.

ASSEMBLYMAN BROWN: You're only going to No. 42, correct?

SENATOR CARDINALE: What is the--

MR. SHAUGHNESSY: Forty-two for this purpose, yes.

SENATOR CARDINALE: Why are-- What is the difference--

MR. SHAUGHNESSY: We have just one question or a comment -- Mr. Tighue?

MR. TIGHUE: Yes.

MR. SHAUGHNESSY: Again, Mr. Tighue from Department of Treasury, DPMC.

MR. TIGHUE: I guess before that gets approved, I think it should-- You should understand a couple of things: First, why, as Marci had said, the State owns these properties -- basically through a, I guess, condemnation proceeding for this reservoir project. One of the reasons why the tenants have been there for so long-- I've seen every one of these properties; I did not do all these appraisals, but I have seen these properties personally. These tenants were once owners of these properties; some of them actually built them themselves -- or their family has. They have no intention of ever leaving. So it's not a situation where they feel that they're getting a great bargain; in fact, most of them feel that they would have had these properties paid for several years ago if they had a mortgage on them. But in a sense they're now in a situation where they're paying perpetual rent forever until this reservoir is built.

I'm saying that not because we feel that they deserve a break; but I think that it's important to know why we have these properties in the beginning. And also, the rents are based off of many items: location,

economic factors, and physical factors with the properties. We are not investors. Unlike yourself or unlike somebody who would buy a residential property to invest in and put in a lot of capital to turn a profit, we're not looking to create a profit for these properties. So if they seem low on the surface, our motivations are different. Our motivation is to hold on to these properties until this reservoir is built. And the idea was, well, instead of keeping them vacant or knocking them down, let's try and recoup some of our money over the years and do that in lieu of (*sic*) rent, which we've done.

So I had looked at these-- And one other item that's important -- and you were talking about the range of value in the appraisals -- they all were given a slight discount because our lease is different than a typical market lease would be. Our lease requires the tenant to almost have some type of ownership in the property, whereas they're required to repair up to the first \$500 of any type of damage that would occur to the property. So they're not going to call the landlord for every little thing that goes wrong, like you would if you were a normal tenant. So there's a discount to that. Somebody could say, "Well, I'm going to go next door and not have to deal with that." So we felt that there was a discount that should be applied to that.

And again, we don't treat these properties as investments. I think if we all had our choice, we would love to sell these properties if we could; and we can't. And unfortunately, that's something that we're stuck with, and these properties could stay on forever.

But I'm glad we went through this process; I'm glad we actually had these reappraised. And I do think they are within a very reasonable

range. Some may be on the low end, some may be on the middle end or high end, but I think they're all within a reasonable rental range of what you would find in a market, considering their location, condition, and other economic factors of the leases -- I guess (indiscernible).

Oh, and more importantly, doing on annual lease that is put on the market, you're asking a tenant who has been in a property, possibly, sometime since the 1970s -- or built the property -- that you're not going to know where you're going to live every year because we don't think we're getting enough rent for these properties. And I don't know if that's something you want to get involved in, either. It may be a situation where you market the property with-- Or you give notice to-- Honestly, I don't really know how you would even do that. I don't know how you would-- Would we auction or lease?

MR. SHAUGHNESSY: We would have to look at the process, I think.

MR. TIGHUE: Because I think that's-- You know, on a practical standpoint, you're getting into a situation where I don't even know how you would even get that done. If you have somebody who is living in a property, you're going to tell them, "We're going to give you six months' notice that we're going to be auctioning, or we're going to be putting this up for market;" and how we would determine how the market would bear that rent would almost have to be through an auction process. We would have to have 53 auctions for leases every year. I don't know if that's practical. I just want to put that out there.

SENATOR CARDINALE: May I address that with this witness?

MR. TIGHUE: Yes.

SENATOR CARDINALE: I don't know if you heard exactly what I said. I suggested that this would not be an annual--

MR. TIGHUE: Right.

SENATOR CARDINALE: --event. That we would do one-time marketing to, essentially, test whether we are, in fact, getting the market value. I suggested some methodologies -- not to the exclusion of any others that someone else might suggest. But that we go-- This is what I would do if I owned: Go to people in those geographical areas who are in the business of real estate brokerage or in the business of doing rentals -- and that's a specialized group of real estate people -- and get their take with respect to what they could achieve in the way of a rental to the free market.

Also, advertise the availability of these specific properties in the vicinity. I'm not going to advertise in Bergen County for properties in Allamuchy. But you certainly advertise in Allamuchy that we have a whole bunch of properties, and solicit people who might be interested in that.

Now, it is very possible that you can achieve-- You can find real estate brokers who will come to you with tenants who will not expect a commission from the State of New Jersey even in today's market. When I rent my properties in Fort Lee, through this kind of specialized program, the tenant pays the commission. Does the broker always get me the highest value? No. But he gets a value -- depends on the market conditions at any particular point in time. I think that's a very reasonable way to go about it.

I understand that the State government doesn't have all of the flexibility that a private owner has.

MR. TIGHUE: Or motivation.

SENATOR CARDINALE: But it troubles me that we have had this lack of turnover -- and you've explained a factor in that; and I can understand that factor, but the State owns these. And this should not be an insider deal.

MR. TIGHUE: All I'm saying is a couple of things. I believe-- Actually, maybe Mr. Kotler can help me with this. But as far as a broker, there are procurement issues which we have -- we deal with all the time having a broker. And I'm not quite sure how many brokers would not want to get a commission for doing work, but--

SENATOR CARDINALE: They'll get a commission, okay, but (indiscernible).

MR. TIGHUE: But I know that if we were to use the services of a broker, those services would have to be put out to bid. And in order to do that it gets very difficult when you're dealing with real estate, because if one broker actually has a tenant and three other brokers have to bid on that procurement, there's no incentive for them to bid on something that they don't have the service for.

DEPUTY TREASURER RIDOLFINO: Bob, if I can add something, through the Chair.

MR. DiROCCO: Sure.

DEPUTY TREASURER RIDOLFINO: The other thing that I think we need to keep in mind here as well is that a lot of these people are caretakers of these properties. They built them, they lived in them for years. The State is the landlord, for all intents and purposes. We handle all the capital issues related to the properties -- if the chimney needs to be repointed, roof needs to be fixed, things like that -- but the people

themselves have their own appliances in them, their own fixtures. They're taking care of what's on the inside of the properties. They're basically helping us maintain these properties until DEP does whatever they're going to.

MR. TIGHUE: That's the way we look at it.

DEPUTY TREASURER RIDOLFINO: And if we do a process where we have to remarket this in some way, shape, or form every year -- or every three years or four years, however you want to do it -- I think that also, if we go through a process, the current tenant should have the opportunity to at least be able to match whatever somebody else is willing to pay. Only because, again, you've got that family factor, the history factor, and all the other factors that go into this process on account of the-- The Department of Treasury was kind of shoved into this situation to, basically, be a landlord when we're not necessarily a landlord for residential properties -- some on a reservoir line, some of them on parks and grounds that can't be sold because you can't subdivide in a park, and other reasons.

MR. TIGHUE: Right.

DEPUTY TREASURER RIDOLFINO: So I'm just thinking you've got to, before we approve any motion-- And I can definitely sympathize with the Senator -- we should be getting market. And I think we're somewhere in that realm. But we have to keep in mind that there is the 80-year-old lady living in this property who built this property, or her dead husband built this property, and we don't want to necessarily give her a three-month notice that she may be kicked out because somebody who may not be as good a tenant as her, and who may not caretake the property

like she does -- we're going to give it to them because they're going to pay \$50 more a month.

MR. TIGHUE: Right.

DEPUTY TREASURER RIDOLFINO: And that's the only fear I have in this whole process.

MR. TIGHUE: I agree.

DEPUTY TREASURER RIDOLFINO: Forget the administrative procedure of 53 different advertisements every year, and advertising for brokers and then letting the brokers come forward and bid on things. It's that factor that I think we just need to keep in mind when we're coming up with a new process.

MR. TIGHUE: And I think that's an important factor. But also, I mean, just the process itself -- and I'm not even talking about the work of (indiscernible); I'm just talking about the schematics of how to make that happen. Unless it's done through auction, which may end up being the situation where we end up with several vacancies as opposed to having a tenant that's in there paying something, I don't really see how we could get to market rate -- well, other than having the appraisal done like we've done.

DEPUTY TREASURER RIDOLFINO: And we can always come up with a process that would get us close.

MR. TIGHUE: Right.

ASSEMBLYMAN BROWN: That's the motion.

MR. TIGHUE: Right.

ASSEMBLYMAN BROWN: I think what you're talking about is the motion being approved with a one-year lease; for the board to come

back to reevaluate the disposition of the property from all angles as to disposal, to marketability. One of the concerns I have in the consideration for the original contract: Is there language in there that says that this individual is to rent this property? They may be protected under clauses of the original agreement.

MR. TIGHUE: No.

ASSEMBLYMAN BROWN: We've had that in our county on agreements like this.

MR. TIGHUE: I don't think-- I mean, I probably should know what I'm talking about before I say anything, but I don't think any of our contracts list an individual in the contract -- in the lease contract -- other than the other typical lease terms of it.

ASSEMBLYMAN BROWN: No, no, I'm talking about the original contract when the DEP purchased the lots.

MR. TIGHUE: Oh, I see -- okay.

ASSEMBLYMAN BROWN: I'm going back to that agreement.

MR. TIGHUE: Okay, yes.

ASSEMBLYMAN BROWN: There may be tenants in there with covenants and restrictions that require that this lease go to this particular individual.

MR. TIGHUE: Yes, I'm not-- I don't know if that's the case.

MR. SHAUGHNESSY: We can work with the DEP on that and look into that.

ASSEMBLYMAN BROWN: The whole-- I think the gamut of it.

MR. SHAUGHNESSY: So we have a motion and a second.

Any further discussion? (no response)

One thing I will-- I think Assemblyman Brown was correct. I should have read further; there are three additional ones: No. 43, No. 44, and No. 45. No. 43 is a lease to Linda Paul; No. 44 is a lease to Florence and Andrew Bailey; and No. 45 is a lease to Kira and Jeremy Lang. They should have been read and included in the motion and the discussion. So when we take the roll we'll be voting through 45, inclusive.

Any further discussion? (no response)

Any public comment? (no response)

I'll call the roll.

ASSEMBLYMAN CRYAN: I'm sorry. I just want to note that in the motion, I just want to express my concerns, particularly to No. 42 because it's a business. I mean, I get it when we're leasing to folks that have been on the property.

MR. SHAUGHNESSY: Right.

ASSEMBLYMAN CRYAN: And the business one, particularly, I'll defer, based on the fact that it's clear the Commission is going to review the process. I want to put that on the record.

MR. SHAUGHNESSY: Thank you very much, Assemblyman Cryan.

I'll call the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

Oh, pardon me; Senator Smith has been marked in the affirmative.

Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: Thank you very much.

Now we move on to No. 46, DEP requests. Washington Valley Park, Block 706, a portion of Lot 7; Block 707, portion of Lot 53, Bridgewater Township, Somerset County. DEP, on behalf of Somerset County, requests approval to divert 0.13 plus-or-minus acres to accommodate roadway improvements and a bridge replacement on Newmans Lane where it crosses the West Branch of the Middle Brook in Bridgewater. To compensate, the Township will dedicate, for recreation-conservation purposes, a 3.923 acre parcel of wooded land. A public hearing was held on December 14, 2011, with no opposition being voiced.

Any member comment, first? (no response)

Any public members here to testify and be heard? (no response)

Okay, may I have a motion?

ASSEMBLYMAN CRYAN: Motion.

MR. SHAUGHNESSY: Second?

ASSEMBLYMAN BROWN: Second.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer  
Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith in the affirmative.  
Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: The motion is approved.

No. 47: The project is Cinnaminson House (*sic*), Block 1004, Lot 45, Cinnaminson Township, Burlington County. DEP, on behalf of the Township of Cinnaminson, requests approval to allow the disposal, for affordable housing development purposes, of 2.69 plus-or-minus acres of parkland, known locally as the Cinnaminson House. The Township is under contract to sell the property to the Lutheran Social Ministries of New Jersey, Inc., a non-profit housing development organization, for construction of a 54-unit affordable housing development for senior citizens.

As compensation, the Township shall encumber with Green Acres restrictions four parcels of replacement land totaling 10.24 plus-or-minus acres. The Township shall also be required to acquire additional parkland within two years of the date of approval by the State House Commission to bring the replacement ratio to at least 4:1 as required by DEP regulation.

Two public hearings were held previously on this matter: on October 17, 2011, and January 17, 2012. Several local residents expressed concern that the disposal of the Cinnaminson House property and subsequent development of a 54-unit age-restricted affordable housing project would result in adverse impacts to local home values, traffic, sewer capacity, and water quality. Several commenters were concerned the proposed replacement parcels are not comparable in value, utility, or accessibility to the land proposed for disposal.

This matter is now presented for your approval.

Are there any members' comments or questions.

ASSEMBLYMAN CRYAN: I have some.

MR. SHAUGHNESSY: Yes, Assemblyman Cryan.

ASSEMBLYMAN CRYAN: This property was bought with Farmland Preservation money. And the way I read this, on page 10 of 10, is the Township hasn't provided the replacement land yet. Is that common? I mean, is that common to buy farmland property and then not have the deal done?

MR. SHAUGHNESSY: Not sure, Assemblyman. Someone from DEP-- Judeth Yeany.

JUDETH PICCININI YEANY, Esq.: I'm Judeth Yeany from the Green Acres Program with the DEP.

The property was purchased with local open space tax money, and I believe that particular fund is captioned as open space historic preservation and farmland. So I don't think there was any concept that it was purchased with Farmland Preservation money. There was some dispute about whether it was open space or historic, but it did end up on the township's recreation and open space inventory.

As far as having additional time to purchase the remainder of the replacement land, when we last revised our rules we did put a provision in that under some circumstances we can allow our applicants additional time to wrap up the replacement land, because often the need for the project is urgent enough that they can't go through all the steps of land acquisition in a timely fashion to have that on line. So we developed a two-year limit to give our applicants, who for the most part are municipalities and counties, some flexibility in meeting our requirements. And that is something we follow up on.

ASSEMBLYMAN CRYAN: What if they don't?

MS. YEANY: Generally, our most effective tool in achieving compliance is to withhold future funding if they haven't satisfied their obligations.

ASSEMBLYMAN CRYAN: I have to tell you, that troubles me on this. I don't know anything about this project, and I apologize -- it says township's farmland fund.

MS. YEANY: Okay.

ASSEMBLYMAN CRYAN: And I apologize for being incorrect on that.

MS. YEANY: Well, in this particular--

ASSEMBLYMAN CRYAN: That's on page 3.

MS. YEANY: Sorry. In this particular case they're pretty close to the required ratio. I think they calculated it -- it was 3.8:1, but they weren't quite there. So they have identified three parcels already, and they have to buy about an additional half an acre. Which they have committed to do; we have that in writing. We also execute a release at the end of this process, that is signed by the Mayor and is recorded in the chain of title for the property, that affirms whatever conditions are imposed on this by the DEP and the State House Commission, and it will say that they have committed to buy this property by a certain date.

ASSEMBLYMAN CRYAN: Okay. It's just that I know in my district, nobody's gotten the advantage of time. It's just the way it goes. You said it's based on the project -- I get that. But I've seen guys have to walk away because you can't come up with the spacing, and then I look at it here and it makes me scratch my head a little bit.

You know what? I saw the public opposition. I don't pretend to know whether traffic -- the right (indiscernible); I'm not sure if that's (indiscernible) of this body. But-- Okay, all right. Thank you.

That's all I have.

MR. SHAUGHNESSY: Any other members' comments or questions on this matter? (no response)

Is there anyone from the public who wants to be heard?

Yes sir. Could you please come up?

Please identify-- It's Mr. Moss, is it not?

**R O B E R T M O S S:** Yes, thank you for remembering.

Robert Moss. I don't know if I was the last time I spoke at this Commission, but I am now the Green Acres Issues Coordinator for the New Jersey Chapter of the Sierra Club. And I want to start out by emphasizing the Sierra Club is in no way opposed to affordable housing -- whether it actively-- The Sierra Club's exact position, whether it actively endorses affordable housing, you can all ask Jeff Tittel. I don't have that right here. We are not opposed to affordable housing.

The Sierra Club is concerned about the process here, and the speaker from DEP, Judeth -- I didn't get the last name -- alluded to some of the changes in the regulations specifically about allowing property replacement land to be provided within a certain timeframe. The Club's two main concerns about the process, and they apply to these Green Acres, these diversions applications generally: One, is that we don't know -- the publicly available information, which would be the minutes and the agendas-- I don't have all the details that are, apparently, in the members' packets. The public does not know, or has no easy way of knowing, exactly what the replacements are. And I'm quite sure that in the past there have been many applications that were approved where land was to be provided in the future; when this regulation changed, I don't know.

The point being: The Sierra Club believes that the Green Acres Program cannot meet its purpose unless the replacement land is substantially equivalent to the diverted land for purposes of public outdoor recreation and/or conservation, as the case may be. And those two purposes, of course, are the purpose of the whole program, starting with the

Green Acres Bond Acts and going into the Garden State Preservation Trust Funds. That's where we get those terms *public outdoor recreation and conservation purposes*.

Not knowing exactly what replacement land -- what it will be, or even what it is, or if some of it's in the future, we can't possibly know this. And we also have no indication that any analysis is being done to make this determination -- that there is substantial equivalence. The reason this is important is that the State is reaching build-out. And I think I may have said this before, before this body: We're almost out of open space that's not already under Green Acres. And as we approach that situation, it stands to reason that many of the valuable protected properties that we have in this state, if they're diverted, will be replaced by properties that are of inferior quality in those terms: recreation and conservation. And that's simply because there's less and less open space available to replace land. This is why the Sierra Club has proposed changes to the regulations, and believes that the program will actually fall apart, as we reach this crunch of running out of land, unless we hold to the requirement that the replacement land be, substantially equivalent in those terms.

The other thing, and it's really the other side of the same coin, is we don't usually see an analysis or a justification in the publicly available materials as to -- going blank. What's the requirement? There has to be no feasible or reasonable alternative. I don't see that here at all. And it's the same argument, just like I said, going down the other side of the coin. To the extent that the applicant is allowed to say, "Well, the alternative was already developed, so it's going to cost me more" -- if we allow that to be unreasonable, because the alternative is already developed, then, again, the

Green Acres, within 10 to 20 years, will fall apart because there's not going to be undeveloped land available. Or, in many cases even now, the locations -- among the desired locations, there won't be undeveloped land.

So what will happen? Again, we'll be diverting land, replacing it with inferior -- often inferior-quality land for the purposes we want. Eventually we won't have open space to replace it with. And if the precedent is established that you can divert land because the alternatives are developed, then what do we do? We have to look at the regulations and say, "Well, there's more open land, we'll have to take money from them." But what happens is we lose our open space, and instead of it increasing as the Bond Acts envisaged -- the total increasing -- it starts shrinking.

So that's our concern. We don't have-- The Sierra Club does not have a formal position on this application. I just heard about it from the staff two days ago, so I think this is new. But we are, at minimum, very concerned about the process.

Thank you.

MR. DiROCCO: Assemblyman.

ASSEMBLYMAN BROWN: Thank you.

I'm from Burlington County.

MR. MOSS: I'm sorry -- Burlington, you said?

ASSEMBLYMAN BROWN: I'm from Burlington County, and I will tell you: I don't know a lot about this application, but in Burlington County it's the nationally ranked open space preservation county in the country. There are 28,000 acres saved in Burlington County. So when Burlington County comes with an application, or one of the municipalities, it's coming from a municipality within a county that's nationally recognized

for its open space preservation. You have to keep that in mind on this particular application.

And we also have the Mayor from Cinnaminson here to give testimony -- if you want to hear -- to support their application as to why they're doing this.

But from your standpoint, this is in an area that is very sensitive to open space, and it's led the national way on doing what we're talking about here. Do you follow me?

MR. MOSS: Yes.

ASSEMBLYMAN BROWN: Okay. So I wanted to put you at ease on that. Dealing with the area that we have -- it's very, very sensitive to open space.

MR. MOSS: If I may just quote: I think it was the first President Bush, "No net loss."

ASSEMBLYMAN BROWN: Okay. (laughter)

MR. MOSS: That's what we're boiling down to.

SENATOR CARDINALE: Can I just make a comment.

I appreciate that you don't have all of the data that we do, but I can tell you that we have approximately -- specifically identified in our notes 10 acres of the replacement properties.

MR. MOSS: Yes, that-- Oh, okay.

SENATOR CARDINALE: There will be a 4:1 replacement, and that's seems to me like, if you're going to get four acres, even if, perhaps, it's not the same quality property, or the location is not as convenient -- you're preserving a lot more open space. And while I can appreciate that you

would have concerns when you don't know where it is, perhaps we can just read you -- because we have it identified by block and lot number.

MR. MOSS: Oh, I can (indiscernible) down. Again, we haven't specifically opposed this project primarily because we don't-- It's new and we don't have the information.

SENATOR CARDINALE: But let me tell you the four properties that have been specifically identified as replacement properties. And we're just a little bit short; it's not that we're -- the whole thing is up in the air.

It's Block 2001, Lot 7 -- which is 2.44 acres; it is Block 3420, Lot 32, -- which is 3.1 acres; we have Block 2010, Lot 1, 3.83 acres; and Block 2011, Lot 1, which is 0.87 acres. So you're just a little bit of short of the 4:1, and they've committed to the balance of that, right? I think your fears that this is, sort of, nebulous and up in the air should be allayed.

ASSEMBLYMAN BROWN: You can give him this.

SENATOR CARDINALE: And you don't have--

MR. MOSS: And now that I've opened my mouth, I may feel obligated to go look at these parcels. (laughter)

SENATOR CARDINALE: Good.

ASSEMBLYMAN BROWN: Thank you.

MR. MOSS: Thank you.

MR. DiROCCO: Thank you, Mr. Moss.

Any other comment from the members or any public comment?

Good morning. Please state your name for the record.

**G E O R G E M O R R I S, Esq. :** Good morning. May it please the Commission, my name is George Morris -- spelled like the county. I am an

attorney with Parker McCay and we represent the Township of Cinnaminson. I'm joined by Committeewoman Kathleen Fitzpatrick.

ASSEMBLYMAN BROWN: Do you have any testimony? It looks like the Commission is going to approve this application. Do you have any comments?

MR. MORRIS: Yes, just briefly I would like to speak to some of the replacement parcels, just so the Commission is aware and so the public is aware.

One of these parcels was scheduled for the development of homes. The Township recognized and looked at that property to see if that could host the affordable housing. Unfortunately, it was not big enough to accommodate this project.

In a turn, though, this property sits near the Pennsauken Creek and it sits next to one of the Township's main park facilities. So in purchasing this property, the Township will be able to expand its park facilities and preserve open space. A second parcel that was alluded to -- Block 3420, Lot 32 -- we are allowed to take credit for 3.1 acres of that parcel. The parcel itself is actually closer to 16 acres -- some of that is title so we can't take full credit for that with DEP. So, in effect, what the Township is doing is preserving closer to 24 acres of land, although at this point, taking credit for just under the 10 that we're required to.

The Township has already begun to identify other properties. So that the fear that the last half-acre won't be found is not realistic because the town will hopefully have that identified and purchased within the next four to six months.

MR. DiROCCO: Thank you, Mr. Morris.

Any further testimony?

**KATHLEEN M. FITZPATRICK:** Just as a member of the committee who has championed this project since the beginning, the Cinnaminson Township residents are actually gaining through this diversion process for the reasons that Mr. Morris stated.

There's one parcel that's very ecologically sensitive where it abuts wetlands, and the other particular parcel will be useful for our existing park inventory. So we're very hopeful that this gets approved.

Thank you.

**MR. DiROCCO:** Thank you.

**MR. SHAUGHNESSY:** I think we need a motion.

**ASSEMBLYMAN CRYAN:** Motion.

**MR. SHAUGHNESSY:** Second?

**SENATOR CARDINALE:** Second.

**MR. SHAUGHNESSY:** Okay, motion and second.

I'll call the roll.

Senior Counsel DiRocco.

**MR. DiROCCO:** Yes.

**MR. SHAUGHNESSY:** Associate Deputy State Treasurer Ridolfino.

**DEPUTY TREASURER RIDOLFINO:** Yes.

**MR. SHAUGHNESSY:** Director Holzbaur.

**DIRECTOR HOLZBAUR:** Yes.

**MR. SHAUGHNESSY:** Senator Cardinale.

**SENATOR CARDINALE:** Yes.

MR. SHAUGHNESSY: Senator Smith voted in the affirmative.

Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: The matter is approved. Thank you very much for your time and comments.

MR. MORRIS: Thank you.

MR. SHAUGHNESSY: Next, No. 48: Department of Transportation request. Project: Route S41, currently Route 73, Section 3, Parcel VX14B, Block 35.30, Adjoining Lot 20, Evesham Township, Burlington County. The Department of Transportation requests approval to sell a 7,405-square-foot parcel of land to the only adjoining property owner, Thunder Road Properties, LLC, for use as assemblage to their vacant land with the intent to eventually develop commercially. The recommended sale price is \$8,200, the appraised value.

Any member comment? (no response)

Any public member comment? (no response)

ASSEMBLYMAN CRYAN: Motion.

MR. SHAUGHNESSY: Second? Motion, second?

MR. DiROCCO: I'll second.

MR. SHAUGHNESSY: Motion and second.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith is marked in the affirmative.

Assemblyman Brown.

ASSEMBLYMAN BROWN: Abstain.

MR. SHAUGHNESSY: Abstention by Assemblyman Brown; thank you, sir.

Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: Okay.

No. 49 -- again, a DOT request. Route S41, currently Route 73, Section 3, Parcel VX15B, Block 37.01, adjoining Lot 2, Evesham Township, Burlington County. The Department of Transportation requests approval to sell a 5,793-square-foot irregular-shaped lot, located in a commercial zone, to the only adjoining property owner, 901 Route 73 South, LLC, for assemblage to their currently vacant land with the intent to eventually develop commercially. The recommended sale price is \$6,400, the appraised value.

Any comments or questions from the members? (no response)

From the public? (no response)

Hearing none -- motion?

ASSEMBLYMAN CRYAN: Motion.

MR. SHAUGHNESSY: Second?

MR. DiROCCO: Second.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer  
Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith has been marked in the  
affirmative.

Assemblyman Brown.

ASSEMBLYMAN BROWN: Abstain.

MR. SHAUGHNESSY: Abstention noted.

Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: Thank you very much.

On to No. 50. And I do note that, for the record, Senator  
Smith has requested to abstain from this matter.

Next is Department of Transportation Waiver of Outdoor  
Advertising Regulations; Outdoor Advertising Application Numbers 70713,

70811, 70812, 70813, Block 45, Lot 11.01, on Wall Street, Easton Avenue, New Brunswick, Middlesex County. The Department of Transportation, on behalf of the City of New Brunswick and the New Brunswick Parking Authority, requests a waiver from outdoor advertising regulations to allow the issuance of outdoor advertising permits to Imagine Outdoor Advertising for four off-premises signs which would be mounted on the parking garage of the Gateway Project at Easton Avenue and the adjacent train station, New Brunswick. All four signs do not meet regulations currently because they would be too close to each other, to the other existing permitted locations, and are oversized in height. It's noted that three of the 8-by-40-foot signs are expected to produce \$453,600 in revenue over 15 years to the New Brunswick Parking Authority as property owner. The 40-foot-by-30-foot digital sign is expected to produce \$910,000 for the New Brunswick Parking Authority as property owner over 15 years.

In addition to these revenues, additional annual permit fees totaling \$510 will be paid to the New Jersey Department of Transportation for the signs on the back sides of the existing signs of Easton Avenue.

At this point, any members have questions or discussions concerning No. 50? (no response)

Hearing none, any public members here to talk about this matter? (no response)

ASSEMBLYMAN CRYAN: Motion.

MR. SHAUGHNESSY: Motion.

Second?

ASSEMBLYMAN BROWN: Second.

MR. SHAUGHNESSY: Motion and second.

I'll call the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer  
Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith, abstention.  
Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: The matter is approved.

Okay, we're on now -- please bear with me for a moment.  
Okay, we're now moving to the Division of Pensions and Benefits. I will  
need a motion for the State House Commission now to convene as the  
Judicial Retirement System Board.

ASSEMBLYMAN CRYAN: Motion.

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Motion and second; thank you very  
much, Assemblyman and Senator.

We're now sitting as the Judicial Retirement System Board.

The first matter is approval of the minutes of the meeting held on October 13, 2011. Do I have a motion for that, or any questions or comments first?

MR. DiROCCO: I'll move it.

MR. SHAUGHNESSY: Motion.

Second?

SENATOR CARDINALE: I'll second.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer  
Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith in the affirmative.

Assemblyman Brown.

ASSEMBLYMAN BROWN: Abstain.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Same -- abstain.

MR. SHAUGHNESSY: That matter is approved with -- still  
have five votes.

Okay, No. 2: Confirmation of Death Claims, Retirements and  
Survivor Benefits. Any questions or comments about that matter? (no  
response)

Any members of the public to be heard on this? (no response)

ASSEMBLYMAN CRYAN: Motion.

MR. SHAUGHNESSY: Motion.

Second?

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: I'll take the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer  
Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith in the affirmative.

Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: That matter is approved.

Third: Receipt and approval of the financial statements for the  
period June, 2011 through December 2011.

Questions or comments from the members? (no response)

Anybody here from the public? (no response)

Hearing none, motion?

ASSEMBLYMAN CRYAN: Are we approving this?

MR. SHAUGHNESSY: That's the last thing.

ASSEMBLYMAN CRYAN: That's the last thing; okay.

MR. SHAUGHNESSY: That's the last thing, actually. Right, you're right. That's going to be the next one.

ASSEMBLYMAN CRYAN: All right, okay -- got it.

MR. SHAUGHNESSY: Okay -- motion?

ASSEMBLYMAN CRYAN: Motion.

MR. SHAUGHNESSY: Second?

MR. DiROCCO: Second.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Associate Deputy State Treasurer Ridolfino.

DEPUTY TREASURER RIDOLFINO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith in the affirmative.

Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. SHAUGHNESSY: That matter is approved.

The fourth and final matter is a presentation by the actuary. If you recall, the State House Commission asked the actuary to come back and be able to present, briefly, on the July 1, 2011, Judicial Retirement System Valuation Report.

Pensions here? The actuaries?

Thank you for your patience.

**JANET H. CRANNA:** Oh, no problem.

**MR. SHAUGHNESSY:** Could you please identify yourself and provide the presentation.

**MS. CRANNA:** Sure. I'm Janet Cranna; I'm a principal and consulting actuary with Buck Consultants.

This morning I want to go through the results of the July 1, 2011 valuation.

Briefly, when we do the actuarial valuation, the overall cost of the Judicial Retirement System -- or any defined benefit plan -- is really the benefits that you're paying to all your members, as well as the expenses associated with running those systems. When we value these plan provisions, these are all part of the statutes and so we're looking at the benefit formula and the eligibility provisions.

Also, the cost is dependent on the experience of the system -- who actually stays around and becomes retired; and then once they retire, it's also depending on how long somebody will live and continue to receive benefits.

What I'm going through is, there's this presentation -- I'm now on page 4 -- in terms of the funding policy. You're basically funding it over the working lifetime of its members, and it's being funded through

employee contributions, employer contributions, and investment income. And inherent in this process is the valuation is based on both the actuarial assumptions that go into the valuation, as well as the cost method.

ASSEMBLYMAN BROWN: Can we ask questions as you're going through?

MS. CRANNA: I'm sorry?

ASSEMBLYMAN CRYAN: Are we allowed to ask questions?

MS. CRANNA: Oh, sure.

ASSEMBLYMAN BROWN: Could you tell me what the percentage of the employee-employer investment income that make up the fund -- the percentages that are contributed?

MS. CRANNA: Okay, the employees right now contribute 3 percent; that is subject to change. There was legislation that was enacted, Chapter 78, which is going to increase that by 9 percent over the course of seven years. However, there is a lawsuit going on right now, and at this point it still remains at 3 percent until the outcome of that decision. So the employees are putting in 3 percent; the employers -- and I'm going to get to that in a moment. But the employers -- or really the State -- for this particular valuation will be putting in approximately -- as a percent of pay, that is 18.37 percent. We'll get into the specifics of that in just a second.

SENATOR CARDINALE: Could I ask a question, if I could?

MS. CRANNA: Sure.

SENATOR CARDINALE: The new employees in the system -- are you anticipating that they're paying at 3 percent or at 12?

MS. CRANNA: Well, according to the legislation, everybody is supposed to be paying the 3 percent; plus over the course of those seven years it will gradually go up to 12 percent.

As of this point, at the time of this valuation, there were no new hires into the system since the enactment of that legislation. So I think we really need to wait for the outcome of this court decision to find out who will be subject to that increase in contributions: will it be everybody or will it be just the people who are hired after the effective date of that legislation? So that is still pending.

SENATOR CARDINALE: So that, going forward -- and I realized after I asked the question that we're dealing with something that goes back to July of 2011.

MS. CRANNA: Right.

SENATOR CARDINALE: In today's actual collections, what are the new employees paying? Are they paying the old rate, or are they paying-- Because I don't believe that they're the subject of the suit.

**J O H N M E G A R I O T I S:** I'm John Megariotis, Deputy Director with the Division of Pensions and Benefits. And I'm fairly certain that the new members are paying the higher rate, because they were not part of the litigation, and so anyone hired subject to that, I believe, is paying around 4.26 percent -- somewhere along that line. It would be 3 percent plus--

SENATOR CARDINALE: My last question along this line is: When a member of this system is reappointed after their initial seven-year term, are they paying the higher rate, or are they locked in at the lower rate pending the outcome of the lawsuit?

MR. MEGARIOTIS: They're paying the lower rate, pending the outcome of the litigation.

SENATOR CARDINALE: Thank you.

MS. CRANNA: If you want -- I don't know how much detail you wanted about this -- I can go straight to the numbers if you want, or I can give you--

Straight to the numbers? Okay.

Then let's go to -- We can start all the way to, I guess it's page 14 when we talk about the actual costs. The liability of the system is about \$593 million, and we compare that to the value of the assets. If I look at the actuarial value of assets, that's only \$310 million. And we have a market value of assets of \$270 million. And when we look at the-- The market value is just that -- the market value of assets. When we do our valuation and we come up with the resulting contributions of a system, we usually use what's known as an actuarial value of assets, whereby we smooth the market value gains and losses over a five-year period so that -- we smooth out the fluctuations so that we try to stabilize what the contribution is from year to year.

So if I take the difference between my liability and my actuarial value of assets, it means that we have an unfunded liability of \$282.8 million. So what that means is, if I look at your assets compared to your liabilities, you only have enough assets on hand to cover about 52 percent of your liabilities. So the system is severely underfunded. And, basically, the reasons for that-- You know, we've had some asset losses because you had some downturn in the economy several years ago, so we still need to make up those assets. But more importantly, for over a 10-year period the

State has not been making the full recommended contributions. So this is why we're seeing such low funded ratios of the system.

What's important is when we look at this funded ratio of 52 percent, that is below what Chapter 78 defined as the target funded ratio. So until you make that target funded ratio -- which was 75 percent last year, and this year it's up to 75.7 percent -- you cannot make any additional changes to the system, such as trying to reinstate the cost of living adjustments which were suspended due to Chapter 78, or make any other changes to the employee contributions or benefit formulas until you reach that threshold. So that is an important threshold that you are going to try to meet so that you can make other modifications to the system.

ASSEMBLYMAN BROWN: Your target funded ratio is 75 percent.

MS. CRANNA: Yes, that's right. That's what Chapter 78 defines as your target threshold.

MR. MEGARIOTIS: Let me just say that it starts at 75 percent, but over the next 7-year period it goes up in equal increments until it reaches 80 percent, and then stays at 80 from that point forward.

MS. CRANNA: If I look at the actual recommended contributions, there are really two components to the contribution: there's the normal contribution -- and that's for the benefits that are accruing each year for the active members -- and then there is a second component called your *accrued liability component*. That's the piece that's needed to amortize that unfunded liability, and we do that over a 30-year period.

So my normal contribution is just over \$17 million; my accrued liability contribution is over \$25 million, for a total contribution of \$43

million. However, there was legislation that was enacted back in 2010; Chapter 1 said that the State, for Fiscal Year 2013, only has to put in two-seventh of what we recommend. So because of that, the State is only obligated to put in \$12.4 million. Now, the importance of that is that again for yet another year, the State's not going to be making that full contribution. So what that means is that funded ratio that we talked about a few minutes ago, at 52 percent, that's probably going to come down again next year; and then your unfunded liability is going to go up because, again, you have not made that full contribution. To the extent that you don't pay it now, that all gets deferred to future years and so your contributions will be higher going down the road.

ASSEMBLYMAN BROWN: I guess I know why I'm sitting on this Commission now. (laughter)

Any recommendations?

MS. CRANNA: Well, you know, to me you're just really putting in the full amount, not two-sevenths of it, because, again, that unfunded liability of \$253 million -- that's just going to go up again next year. And the importance of not putting in is that \$12 million, not only are you not-- When the full recommendation was \$43 million, and you're only putting in \$12.4 million, you're not even putting in the amount needed to cover the current actives who are accruing another year of service. So no money has really been going to the unfunded liability, plus you're not even making a payment on behalf of your current employees -- of the current judges.

So this funding is just going to get progressively worse until the State starts paying the full amount.

MR. DiROCCO: And the 80 percent targeted ratio -- is that an actuarially accepted standard, or is that just something artificially put in the law?

MS. CRANNA: No, it's generally an accepted standard that if you're at 80 percent, you're deemed to be pretty well funded.

MR. DiROCCO: Pretty well funded? And you're confident that we're going to meet that target? Well, the statute requires us to meet that target, but--

MS. CRANNA: It's going to take a number of years because, like I said, you're only at 52 percent now; you're not going to be making that full contribution for another six more years. So we're going to see this get worse before it starts to get better.

MR. DiROCCO: Thank you.

Anybody else have any questions? (no response)

MR. SHAUGHNESSY: So thank you very much for your presentation.

Nothing more -- correct?

Thank you.

MR. MEGARIOTIS: Thank you.

MR. SHAUGHNESSY: May I have a motion now to reconvene as the State House Commission?

SENATOR CARDINALE: So moved.

MR. SHAUGHNESSY: Second?

ASSEMBLYMAN BROWN: Second.

MR. SHAUGHNESSY: All in favor? (affirmative responses)

Any other business to come before the Commission? (no response)

Any public members want to be heard? (no response)

If not, I guess a motion to adjourn.

MR. DiROCCO: I'll make that motion.

MR. SHAUGHNESSY: Second?

ASSEMBLYMAN BROWN: Second.

MR. SHAUGHNESSY: All in favor? (affirmative responses)

Opposed? Abstentions? (no response)

And Senator Smith has been marked in the affirmative on the adjournment motion.

MR. DiROCCO: Thank you.

**(MEETING CONCLUDED)**