
Commission Meeting

of

STATE HOUSE COMMISSION

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

DATE: December 6, 2012
9:00 a.m.

MEMBERS OF COMMISSION PRESENT:

Dominick DiRocco, Chair
Senator Bob Smith
Senator Gerald Cardinale
Assemblyman Craig J. Coughlin
Assemblyman Ronald S. Dancer
Charlene M. Holzbaur
Robert A. Romano



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

TABLE OF CONTENTS

	<u>Page</u>
James Darrar Supervisor Property Management Section New Jersey Department of Transportation	21
Judeth Piccinini Yeany, Esq. Bureau Chief Legal Services and Stewardship Green Acres Program New Jersey Department of Environmental Protection	39
Kate Millsaps Conservation Program Coordinator New Jersey Chapter Sierra Club	43
Erica Van Auken Policy Analyst and Campaign Coordinator New Jersey Highlands Coalition	45
Wilma Frey Senior Policy Manager New Jersey Conservation Foundation	46
Christine A. Roy, Esq. Representing Transco Gas Pipeline Company, LLC.	47
Michael E. Heenehan Environmental Consultant Transco Gas Pipeline Company, LLC	48

rs: 1-57

(The State House Commission held a teleconference meeting on December 6, 2012, at 9:00 a.m. The member of the Commission present via teleconference was Senator Bob Smith.)

DOMINICK DiROCCO (Chair): Good morning, everyone.

Welcome to the December 6, 2012, meeting of the State House Commission. Sorry for the delayed start.

Mr. Shaughnessy, can I have the Open Public Meetings Act read?

MR. SHAUGHNESSY: Yes, sir.

In compliance with the Open Public Meetings Act, notice of this meeting was given by way of notice filed with the Secretary of State, delivered to the State House press corps, and posted with the Office of the State House Commission, all on November 30, 2012.

May I call the roll?

MR. DiROCCO: Yes, roll call, please.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Here.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Here.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Here.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Here.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Here.

MR. SHAUGHNESSY: Thank you, Senator.
Assemblyman Coughlin.

ASSEMBLYMAN COUGHLIN: Here.

MR. SHAUGHNESSY: Assemblyman Dancer.

ASSEMBLYMAN DANCER: Here.

MR. SHAUGHNESSY: Mr. Chair, we have a quorum.

MR. DiROCCO: Thank you, Mr. Shaughnessy.

Let's move into old business.

MR. SHAUGHNESSY: Under old business: The first order of business is approval of the September 24, 2012 State House Commission meeting minutes.

SENATOR CARDINALE: Move the approval.

MR. SHAUGHNESSY: Do I have a second?

DIRECTOR HOLZBAUR: Second.

MR. SHAUGHNESSY: Motion and second.

All in favor? (affirmative responses)

Any opposed?

ASSEMBLYMAN DANCER: Abstain.

MR. SHAUGHNESSY: Thank you very much, Assemblyman.

We're going to be moving on then quickly to new business --
Department of the Treasury requests.

The first is No. 2 on the agenda: RPR 13-01, Block 111, Lots 13, 14, 15, 16, and 17, 109 South Avenue, Mount Holly, Burlington County.

Treasury, on behalf of the Department of Human Services, Division of Mental Health Services, requests approval to dispose of a .33 -- a third of an acre -- plus-or-minus parcel of vacant land that has been declared surplus to the needs of the Department of Human Services.

The property will be sold via Internet public auction with the minimum bid being appraised fair market value.

Can I have a motion?

SENATOR CARDINALE: So moved.

SENATOR SMITH: Bob, before you do a motion, I have a question.

MR. SHAUGHNESSY: Motion and second.

SENATOR CARDINALE: There is a question from Senator Smith.

SENATOR SMITH: No, no, no.

MR. SHAUGHNESSY: Yes, Senator.

SENATOR SMITH: Question.

Hello?

MR. SHAUGHNESSY: We can hear you. I'm sorry you can't hear us.

Thank you for participating by phone.

What is your question, Senator?

SENATOR SMITH: Well, with regard to all of the Treasury requests -- 2 and 3 -- they are being done by an Internet auction. Have we done this before?

MR. SHAUGHNESSY: Yes, Senator, we have.

SENATOR SMITH: Okay. And how has it worked out?

MR. SHAUGHNESSY: What happens is, we obtain an appraisal, and we place the property and the description of the property on our Internet site, and we open bidding for a certain period of time. The minimum starting bid is the appraised value, whatever that is.

SENATOR SMITH: How active has the participation been of the potential purchasers when you do this Internet auction? Do you have hundreds of bids, three bids, one bid? How has it worked in the past?

MR. SHAUGHNESSY: There usually are several bids. There are not hundreds. I don't think we have ever experienced hundreds. But there are usually several bids.

MR. DiROCCO: It probably depends on the parcel. I know that we've had several that have resulted in legislation when we've done Internet auctions. We've approved of them here. They've gone through the process, made their way into a bill, and found their way to the Governor's desk. So I know-- I think it depends on the issue, on the parcel, and on what's being handled. But there is usually-- At least we know of two or more. Very seldom is it ever just one bidder, correct?

MR. SHAUGHNESSY: Correct.

SENATOR SMITH: Now, when I read the word *auction*, that usually means to me that someone can submit more than one bid. This is not like a sealed bid and that's it. If you participate in this auction you can see what the other parties bid. And if you wish, you can bid higher. Is that the way in which these are conducted?

MR. SHAUGHNESSY: Senator, that's a good question. You can put more than one bid in. In other words, the auction is open for a period of time. And then we also have what is known as a *blackout* period

when you really can't tell where the bidding is or what there is. So there is that. But yes, you can submit more than one bid. It's not just once and over.

SENATOR SMITH: Why would we not want to have a true auction where the parties involved would be able to see the bids of other parties and bid higher?

MR. SHAUGHNESSY: Maybe I don't understand your question, Senator.

SENATOR SMITH: And I'm probably expressing it inarticulately. When I think of the word *auction*, it normally means to me that all of the parties involved are aware of what other parties are bidding. And if they choose to bid higher, they have the opportunity to do so.

My specific question on our Internet auction process is and was: When we do this process, do the other parties who are involved in bidding on the properties know what the bids are from the other parties and have a chance to bid higher?

MR. SHAUGHNESSY: Yes, they do. Until the final period when it's blacked out and you don't know what the bidding is. So the answer to your question is yes, the other parties do know where the bidding is, where it starts, where they are, where other parties are until a set period of time at the end.

SENATOR SMITH: All right. And why do we do that blackout period at the end?

MR. SHAUGHNESSY: In other words, it's really like the final and best offer. That's the best way I can--

MR. DiROCCO: I think it's so we can assume finality -- and that there is some truncated period that we know, "This is it. There is" -- whatever it is -- "12 hours left." So in order to put some finality on the process I think its blacked out so there is -- the back and forth kind of is ended. Correct?

MR. SHAUGHNESSY: Yes.

SENATOR SMITH: Okay. I guess the psychology is, by having the blackout period, you're stimulating them to give that extra effort.

For whatever it's worth -- and I must be getting old, and my memory is not working well -- I don't remember this process being used before, or at least I don't remember approving it.

MR. SHAUGHNESSY: I know the Senator has been on the Commission for a while.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: This is a more recent process. I mean, there used to be what we called a *candle* auction in the past, but that was discontinued. And we now go with the public Internet auction process.

SENATOR SMITH: Do you have any idea how many of these properties that the State House Commission reviews have gone through this Internet auction process?

MR. SHAUGHNESSY: I'm sure several handfals. I don't have the exact number. I can get that for the Senator.

SENATOR SMITH: I'll tell you what will be great. Maybe at the next State House Commission meeting -- whoever does this -- it would be nice to have somebody in to describe it in a little bit more detail --

questions about security. How do you know there is not collusion among the bidders and that kind of thing? That would be an interesting set of questions for me.

Let me go on to the second question on this. In these instances that are before the Commission today, we say that the minimum bid is the appraised value, but we don't have the appraised value to review. I mean, are we carrying out our responsibilities properly by saying, "Go ahead. We'll wait -- take the appraisal. We're not going to look at it. But when you get a (indiscernible) market appraisal, that's going to be the minimum bid." Should we be looking at the appraisal first before it goes through this process?

MR. SHAUGHNESSY: That's within your discretion -- the Commission's discretion, absolutely. What I can tell you in this particular matter is, we went out for an RFP, or we went out to procure an appraiser. An appraiser has been procured. That appraiser is in the process of preparing the appraisal. And we've contacted the appraiser as of yesterday, and the appraiser has given us orally a range of appraised value. And I can tell you what that is. For this--

Pardon me, I'm thinking about-- We actually-- The first one that we're talking about -- No. 2 -- we've done an internal analysis, an internal appraisal. And we have our on-staff appraiser here today should the Senator want to hear from him.

SENATOR SMITH: Let me be paranoid, which is what I think we're supposed to be on behalf of the taxpayer.

MR. SHAUGHNESSY: Would you be able to speak up, Senator? I'm having a little difficulty hearing here.

SENATOR SMITH: I said let me be paranoid on behalf of the taxpayer, which is what I think our role is to be on the State House Commission. We're always looking to get the best and most for the taxpayer, especially when we're disposing of assets.

The problem with going ahead with the -- without an appraised value in front of us, at least as I see it, is that -- for example, if you have an in-house appraisal -- and this would never happen, and we're all people of the highest integrity, etc. But there is always the chance that somebody in-house either doesn't understand the true value of commercial development and/or they have a prejudice of a certain area of a city and we don't get the real -- an appraisal that is commercially correct.

For example, in one of these today -- I think it's the Mill Hill Processing Center in Trenton. When I looked at the aerial photograph -- that's No. 3 -- it looked like a pretty significant building. It's in Trenton and it's in the Mill Hill area, which looks like there is plenty of commercial development around there. I feel just a little uncomfortable saying go ahead and do an Internet auction because I don't have an appraisal to at least satisfy myself that we're going to put this on the market at some value that -- Either we've done an outside appraisal -- this is really what the fair market hand -- arm's length value of this facility is." There seems like there's a lot of missing information. And it scares me a little bit because I really do want to make sure the taxpayers get the best for anything we're going to dispose of.

So going ahead without the appraisal makes me feel uncomfortable. I don't know if it makes anybody else feel uncomfortable,

but it does bother me somewhat. And if somebody has a better idea, I'd be glad to hear it.

MR. DiROCCO: Any other members have any comments or thoughts on this topic? (no response) I think the suggestion is that--

SENATOR SMITH: We get the appraisal first.

MR. DiROCCO: And I think we have some anecdotal information with regard to the appraisal that we can offer. But I understand your point that as we get the packets we don't know-- When we get here this morning we're not sure exactly what the appraisal might come in at. We know that Treasury uses a specific set of rules and regulations for how they arrive at the appraisals, and we know oftentimes they go out to a private appraiser. But at the same time, I think you're right. It would be nice to have more specific information with respect to the appraisal.

But I think, Mr. Shaughnessy, we do have some information with regard to the numbers, correct?

MR. SHAUGHNESSY: We do. Whatever the Commission would like to do-- I can say that on No. 2 there is -- there are actually ranges that we believe will be fairly certain. But if the Commission wants to wait, we can take this up at the next State House Commission meeting. But whatever the evaluation is, that will be the minimum starting bid at the auction process.

SENATOR SMITH: Is that an in-house valuation or a third-party?

MR. SHAUGHNESSY: On the matters on the agenda today, No. 2 is the .33 plus-or-minus acre of vacant land -- is done by MAI

appraiser -- staff appraiser in-house. No. 3 is done by an independent appraiser outside after a procurement process. And that appraiser has been identified and was orally consulted today, and the appraisal is not done. But there is at least an oral range for that.

SENATOR CARDINALE: What is that range?

MR. SHAUGHNESSY: The range will be at least \$800,000, up to \$1.2 million. That's the estimated range.

MR. DiROCCO: That's on the Mill Hill property?

MR. SHAUGHNESSY: Yes.

MR. DiROCCO: And what about the .33 acres in Burlington?

MR. SHAUGHNESSY: The range there is approximately \$30,000 to \$40,000.

SENATOR SMITH: I have less concern about No. 2. No. 3 -- which looks like a pretty decent commercial building -- I have a little bit more concern about.

I guess the question for the future is: Do we want to have the appraisal done so the Commission could at least look at it and know what the baseline number is going to be or not? It's not that we're suggesting that there is any hanky-panky. But it just seems to me to provide a little more confidence to the process.

MR. SHAUGHNESSY: Understood, Senator.

SENATOR SMITH: I would still like to have somebody in from whoever is doing these Internet auctions, to hear more about this process on why it's secure, and why we're not going to have collusion from bidders, etc., that kind of thing.

MR. DiROCCO: Senator, I think your suggestion is noted and well-presented. So I think what we'll do is, at our next meeting we'll ask Treasury to have someone speak a little more extensively to the process for appraisals. And we would also ask that, wherever possible, we could get more specific information regarding the appraisals of each property before the Internet auction is -- before we approve the Internet auction. I think that would be helpful as well.

So with that, are you comfortable moving forward on these two items, Senator Smith?

SENATOR SMITH: I'm okay with No. 2; No. 3, because -- especially now you say there's a range of \$800,000 to \$1.2 million. I'm okay with No. 1 (*sic*); No. 2 (*sic*) I'm probably going to abstain on if we move forward.

MR. DiROCCO: No. 3, you mean, you'll have to abstain on.

SENATOR SMITH: I'm sorry, I couldn't hear that.

ASSEMBLYMAN COUGHLIN: No. 3 you'll abstain on.

SENATOR SMITH: Yes, that is correct.

MR. DiROCCO: Okay.

MR. SHAUGHNESSY: Do we have a motion and second on No. 2?

SENATOR CARDINALE: I moved No. 2.

MR. SHAUGHNESSY: Move No. 2. Second?

ASSEMBLYMAN COUGHLIN: Second.

MR. SHAUGHNESSY: Motion and second.

I'll call the roll -- this is on Item No. 2.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

But let me-- I do share some of Senator Smith's concerns. Except that if this is a true auction, I think a true auction is worth more than appraisal because then the interested parties are bidding.

I'm a little concerned about that bid process -- that you have a blackout period. I don't understand why that would be so. There aren't many Internet auction sites that are currently operating in many areas. And it seems to me that every bidder sees what the next bid is and has the opportunity to go over that bid or not go over that bid. I think that's the way you get the best price. That is the best appraisal that you can get -- is what somebody is willing to pay for it. If the auction is advertised properly, my concerns would be very minimal.

I'll talk about the next one when we get to that one. But I'm voting yes.

MR. SHAUGHNESSY: Thank you, Senator.

Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Coughlin.

ASSEMBLYMAN COUGHLIN: Yes.

MR. SHAUGHNESSY: Assemblyman Dancer.

ASSEMBLYMAN DANCER: Yes.

MR. SHAUGHNESSY: No. 2 is approved.

Okay, now we're moving on to No. 3: RPR 13-16, Block 9501, Lots 17 and 17.01, Mill Hill Processing Center, Trenton.

Treasury requests approval to dispose of property known as Mill Hill Processing Center, which has been declared surplus to the Department of Treasury's needs.

The property will be sold via Internet auction, with the minimum starting bid of the appraised fair market value. I had indicated before what we received from the appraiser as a potential range of appraised value.

Is there any discussion on that matter?

SENATOR SMITH: The only (indiscernible) do here-- Let me try first the motion to defer this to the next meeting when we have the appraised value. And an alternative, if that doesn't work -- then I will abstain on the motion itself.

Why don't we make a motion to defer this until we have the appraised value?

ASSEMBLYMAN COUGHLIN: I'll second the motion.

MR. SHAUGHNESSY: Okay. So the Senator motioned to table and hold until the next meeting, and Assemblyman Coughlin seconded.

Any further discussion?

SENATOR CARDINALE: Yes. In this case it appears that we are going to get a second bite at the apple, because this is probably going to come in at a price above which we have to look at it again. Is that accurate?

MR. SHAUGHNESSY: I'm not sure. I think what you're saying is that there will be an appraised value and it's going to come in higher.

SENATOR CARDINALE: The bids would have to be higher than the appraised value, according to your own rules of your auction.

MR. SHAUGHNESSY: I understand what you're saying. What is going to happen is, that range of values is going to require a legislative act.

SENATOR CARDINALE: Right.

MR. SHAUGHNESSY: So there would be a second look. Exactly, Senator, you're right.

SENATOR CARDINALE: That provides us with, I think, a better--

SENATOR SMITH: I didn't understand that last process. We would get a chance-- Before the actual transaction would occur, we would get a chance to see whether or not we thought the accepted value of the bid was appropriate?

MR. SHAUGHNESSY: Yes, Senator. Not the Commission itself, but the Legislature would be able to review it and approve it or not approve it.

SENATOR SMITH: How does the Legislature approve it or not approve it?

MR. DiROCCO: We approved, several months ago, the Plainfield Armory. We approved here at the State House Commission that the Plainfield Armory in Union be sold by Internet auction. That was before an appraisal was done. Subsequently, an appraisal was done and

there was a winning bidder. And then legislation was required to move that -- to finalize that sale. And that legislation did move through the Legislature. It's now pending before the Governor. So that's an example of how it's worked in the past.

So at that time, for example -- though here at the State House Commission we may not have had significant information with regard to the appraisal or how the Internet auction would play out, at the back end the Legislature did have final approval over whether or not to move through the final steps of that transaction. So I think that's what Mr. Shaughnessy is getting at.

SENATOR SMITH: So let me ask you a question. Are you saying that when we have these Internet auctions -- after the completion of the auction there is a set price -- that there is a bill that has to go through both houses of the Legislature and be approved and signed by the Governor?

MR. DiROCCO: For properties exceeding \$500,000 in value. I think that's the statutory threshold.

MR. SHAUGHNESSY: The State House Commission's jurisdiction is up to \$500,000. Above that it requires a legislative act or a second bite at the apple.

SENATOR SMITH: Oh, really. Have we done-- Again, I'm getting foggy in my old age. (laughter)

Gerry, do you remember any bills that actually transferred property like this after the Internet auction?

SENATOR CARDINALE: Yes, but they're usually consent bills. We don't have a great deal of discussion. But I do recall that we have

done that process -- where the ultimate price is, as was stated, above a triggering figure, which I believe is \$500,000.

SENATOR SMITH: Okay.

MR. SHAUGHNESSY: In this instance, No. 2 would not require an additional legislative act, while No. 3 would.

SENATOR SMITH: Right.

SENATOR CARDINALE: Now, I'd like us to -- in our resolution, if we can -- to make that clear -- that the upset price, so to speak, would be at least \$500,000 so that there would, in fact-- As an appraiser, you don't know what he's told you -- given you some information. But that's not in this motion, and I think we should have, in this motion, that it's going to be above \$500,000 so that there would be that further review.

MR. SHAUGHNESSY: Okay.

MR. DiROCCO: So you're saying that the approval of the Internet auction would be contingent upon the starting bid being at least whatever the triggering threshold is for the statute. I think it's \$500,000.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: So presently we have a motion, I think, to table. It may have been seconded as well.

MR. DiROCCO: With a little more discussion--

Senator Smith, your motion, I think, was made before this new information. Are you comfortable with withdrawing that motion if we approve this matter with the contingency that if the appraised value is over \$500,000 it can move forward? If not it has to come back to us?

SENATOR SMITH: Well, listen, for the sake of trying to get business done, I have no problem going along with it. But I would like, in

the future -- especially when we have these instances -- to see the appraisal received so the State House Commission has a decent idea of how much value is involved in the transaction. And they get a chance to question it if they think it's under whatever value they think is appropriate for that kind of a development.

So as not to be an obstructionist, I'm happy to go along with it today. But I really would like to see the appraisals in so we have some idea of what we're approving. The only problem with consent bills is when you have an agenda -- especially when you get to the budget period -- you get to the end of the year, 80 bills on the list -- I don't know if they get all the attention they should. I'm not going to be the-- Not to be in the way of progress today, but I would like to see the appraisals in the package for consideration in the future. So I will withdraw the motion to table it.

MR. DiROCCO: Thank you, Senator Smith.

So I think we have a motion to approve, with the contingency articulated by Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. DiROCCO: We need a second.

ASSEMBLYMAN DANCER: Second.

MR. SHAUGHNESSY: So we have a motion and second. I'll call the roll.

ASSEMBLYMAN DANCER: Just for clarification: Over \$500,000 -- it goes through the legislative process. I'm assuming that there will be a bill. It's vetted fully at committee hearings? It would be assigned?

MR. DiROCCO: Same process as any other bill.

ASSEMBLYMAN DANCER: Okay. And just -- because this is the first time I'm on the Commission. Are any members of the State House Commission on the committees in which these matters are discussed? It's just a thought. It sounds to me like it would be helpful, if it's being vetted at a committee hearing level, that at least some consideration be given to a State House member -- be on that particular committee. What committees in the Senate and Assembly are hearing these bills?

MR. DiROCCO: I believe it goes through the Budget committees. That's my recollection, but I'm not 100 percent sure.

MR. SHAUGHNESSY: I don't know the membership -- the lives of the Commission members.

ASSEMBLYMAN DANCER: It's just a thought.

MR. SHAUGHNESSY: It's a great thought.

Thank you very much.

So we've had our further discussion.

Any members from the public here to comment? (no response)

Hearing none, I'll call the roll.

This is on No. 3, with the caveat that Senator Cardinale put up.
Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: 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 Coughlin.

ASSEMBLYMAN COUGHLIN: Yes.

MR. SHAUGHNESSY: Assemblyman Dancer.

ASSEMBLYMAN DANCER: Yes.

MR. SHAUGHNESSY: The matter is approved.

SENATOR CARDINALE: I'd like to make a suggestion that we informally ask whatever committee those bills are assigned to, to notice specifically the legislators who are on the State House Commission that those matters will be taken up, and give us a little bit of detail so that, I think, if something seems out of place, at least we will see it and have an opportunity to go and testify before those committees.

MR. DiROCCO: It's a great idea. I'm just trying to think, process-wise, how we--

SENATOR CARDINALE: I think a simple letter to the chair of the committee would be sufficient that they would then notice us.

MR. DiROCCO: So the State House Commission could do a letter to the chairs of the committees that generally hear those bills advising them to--

SENATOR CARDINALE: Whenever some of those-- They should at least let us know.

MR. DiROCCO: Can we do that, Bob?

MR. SHAUGHNESSY: To let the members on the State House Commission--

SENATOR CARDINALE: I know I'm not on the Budget Committee.

MR. SHAUGHNESSY: Right.

SENATOR CARDINALE: And I think that is the logical place for it to be. I don't think Senator Smith is on the Budget Committee. We have so many committees that we can't be everywhere at once.

MR. DiROCCO: Sure.

MR. SHAUGHNESSY: Let those committees inform the State House Commission members.

SENATOR CARDINALE: Yes. Just to inform us that it's being taken up.

MR. DiROCCO: Sure. It's a good suggestion.

Thank you.

MR. SHAUGHNESSY: Thank you, Senator.

Okay, moving on to the Department of Transportation requests.

No. 4 is Route 178 Freeway, Section 1, Parcels VX29, VX32A, VX33, VX35, VX36A, VX36B, VX37, VX38, VX39, and VX42, Block 112, Lot 1; and Block 113, Lots 29.08, 36, 37, 38, 39, 40, 41, 42, Morris Plains Borough, Morris County.

The Department of Transportation requests approval to sell, by direct sale, to the Borough of Morris Plains an area of land totaling approximately 10.647 plus-or-minus acres. The land shall be conveyed for public use -- specifically open space, passive recreation, fire department training facility, and for part of a local road.

This is an area of land, totaling approximately 10.647 acres, acquired as part of the Route 178 Freeway, which was never completed. The recommended sale price is the acquisition cost of \$75,000.

Any Commission members want to be heard on that matter?

SENATOR CARDINALE: Yes. Why did we take that-- Well, let me start out by asking how long ago was it acquired?

MR. SHAUGHNESSY: We have Mr. Darrar, from the Department of Transportation.

Please introduce yourself.

J A M E S D A R R A R: Yes. James Darrar, Supervisor, Property Management Section, Right-of-Way.

If you give me a couple of minutes, we'll look in the file and I can tell you the year we purchased it. But it was some time ago.

How we reached the acquisition cost is -- it turns out, what we paid for the property that we didn't use-- While we didn't use it for 178, we used some property for Route 10. We did some work over there recently. We actually put in a drainage basin. (indiscernible) look through these documents while we see the actual year we purchased it. We normally keep the acquisition pages in there. There were a number of parcels, so they would have been acquired over different years.

MR. SHAUGHNESSY: It was a mouthful of parcels, I can tell you that.

MR. DARRAR: Yes.

I have one of the deeds -- was recorded in 1972.

SENATOR CARDINALE: That's sufficient for the timeframe.

MR. DARRAR: They vary. The program came out in the '60s, and we acquired the properties over a number of years.

SENATOR CARDINALE: I suspected that it was. I didn't realize it was quite that many years.

MR. DARRAR: Yes. And they never built the project.

SENATOR CARDINALE: How can we justify the disposition of this at the value 40 years ago?

MR. DARRAR: Well, the statute requires that we sell for no less than the acquisition cost to municipality. And it's been the policy of the Department to sell -- when we sell property to a government agency for public use -- a public use that retains a reverter clause meaning, if it doesn't get used for that public use, it goes back to the State Department of Transportation. And it's been the policy that we've been selling it for the acquisition cost, whatever that acquisition cost might be.

SENATOR CARDINALE: Does your acquisition cost-- You know, I can understand if you were reselling it to the original owner -- if you had a condemnation by which you got the property, and you gave it back to the original owner at the acquisition cost plus some cost of carrying the property over a period of time. But when you're selling it to a different party-- And I sympathize with the thought of it being a governmental agency that some consideration would be given to the governmental agency. But this is property of the taxpayers of the State of New Jersey.

MR. DARRAR: Correct.

SENATOR CARDINALE: And I think the taxpayers of the State of New Jersey are entitled to be treated like anyone else in the market place. So I don't understand that we should continue that policy,

necessarily, of making it available, unless the only logical use of the property would be a public use.

MR. DARRAR: Well, currently, Morris Plains owns the property around it. We have a drainage basin in the front of it. I don't know what the economic value would be if we tried to sell it off.

SENATOR CARDINALE: It has not access to--

MR. DARRAR: It does have access. But they're also buying it subject to our drainage basin that we built, and they're going to maintain that for us. So the Department will be winning out. And we'll still use it as a drainage basin. So if we were to sell it privately, obviously we couldn't sell the drainage basin. But there is enough land left over that you could still get into the rear of the property. But I couldn't tell you what they might, could, or would be able to do with that property.

SENATOR CARDINALE: If the Department, as a general rule, condemns some property and then finds that it does not need all of that property, do you have a -- and there is no public entity to purchase the property, what is your normal process?

MR. DARRAR: All right. If we determine we have a piece of property that we don't need -- whether the project was cancelled or we built it and it's extra -- the first person, assuming that we've owned it for less than 10 years, would be given -- the original property owner would be given the right to purchase that back. And that's by statute also.

If it's over 10 years, then we would look at whether or not it's a buildable piece of property or not. If it's buildable, we go out for auction. If it's not buildable, we would go out to the adjoining owners. The only

time we wouldn't go out for auction is if it was buildable but it would land lock somebody. Obviously we couldn't do that.

In this case, Morris Plains is the adjoining owner. I think they have been interested in this property for some time, and the Department doesn't have a need. We built our projects that we needed. Not the 178 job, but obviously the improvements to Route 10 there.

SENATOR CARDINALE: Do you have any rough estimate of what this property would be worth if it were being sold to a private party?

MR. DARRAR: No. I don't know what it would be worth, and I also don't know if we would sell it to a private party. See, when we cleared this, it was cleared for the sole purpose--

SENATOR CARDINALE: You would not sell it to a private party.

MR. DARRAR: I didn't say we wouldn't, I said I don't know if we would. When we circulated and cleared it, we sold it with the intent that it would be sold to a government agency for the uses that they applied. And by the way--

SENATOR CARDINALE: And that's because of the draining situation.

MR. DARRAR: We have a current drainage basin in the front, so that area we couldn't sell to another agency. We couldn't sell it to a private person. We would have to carve that area in the front of the property out, which would then only leave a strip on the side that you could get into how -- which may or may not be wide enough to get in to do whatever you want to do there.

Assuming we were to clear it and allow somebody to buy it-- Because one of the reasons we're being able -- we review this with the intended uses of the municipality. And while they're all listed except for one, they currently lease a small area for a recycling drop-off center, which is another use that they will be using the property for. So it's multiple uses. But it falls into the fact that they want to preserve the area and still get some use out of it -- one being the recycling facility and an area to have their fire department train.

So if we said, "No, we're not going to sell it to you without getting a different value" -- I don't know if we would sell it to a private individual because we would have to clear that internally for that use. See, right now it's public use. If they try to change the use we get it back. If it's not public use it comes back to us. With a private sale to somebody who would want to develop it -- assuming this is buildable enough to develop because of the (indiscernible) stuff -- if we went out to auction, there would be no chance it would come back to us. So we would have to circulate that with that the intent. So I couldn't tell you where we would go.

SENATOR CARDINALE: Thank you.

MR. DARRAR: You're welcome, Senator.

MR. SHAUGHNESSY: Assemblyman Dancer.

ASSEMBLYMAN DANCER: Thank you.

My understanding is-- Let me ask you this: Would this be a reversionary deed to the Borough of Morris Plains, that in the event there were no longer any public use, it would automatically revert back to the State of New Jersey?

MR. DARRAR: Yes.

ASSEMBLYMAN DANCER: So it would be clear in the deed, as a reversionary deed, that it must be used for public purposes.

MR. DARRAR: And not only must it be used for public use purposes, it must be used for the public use purposes we've stated. So like I said, in addition to the ones there, they also use a portion of it for a recycling facility, and a portion of it is a local road, and another portion is open space to go against their other open space. So this is definitely-- Administration down the road says, "I'm not going to use this. I want to put some condos or something there," they wouldn't get the deed done before it came back to the State, because it does have reversionary-- That's how all our public use-- And we treat all municipalities the same way. So if the Commission would like us to treat them differently, I will certainly bring that back to our Department. But we've owned some property -- and in some cases we've owned it recently, in some cases we've owned it for a long time, so the values aren't always going to be the same for each municipality. But that's the current way we handle the acquisition costs. And that's what we're required by statute. We charge no less than the acquisition cost for the land that we acquire.

ASSEMBLYMAN DANCER: Thank you.

MR. DiROCCO: Any other questions?

Assemblyman Coughlin.

ASSEMBLYMAN COUGHLIN: Thank you.

Do you know what the zoning of the area is?

MR. DARRAR: I really don't know the zoning.

ASSEMBLYMAN COUGHLIN: How about the character of it? Does it lend itself to building something other than--

MR. DARRAR: Morris Plains owns the land around it. I assume they probably have to preserve. We have some frontage on the local road which is not part of the basin. But I've been up there. That particular portion of it is fairly wooded in nature. I don't know what it will be down the road.

ASSEMBLYMAN COUGHLIN: How about adjoining properties-- Is there any development on those?

MR. DARRAR: We own property next to it that is still wooded that they're leasing from us as open space. Obviously when you get further out to Route 10 -- there is some development along Route 10. But this is not on Route 10.

ASSEMBLYMAN COUGHLIN: Thank you.

MR. DARRAR: You're welcome.

MR. SHAUGHNESSY: Any further members comments or questions? (no response)

Anyone from the public want to be heard? (no response)

I just want to note that I did receive a written comment from Jean Public, and there was comment on three or four items, including this one. Those comments were just delivered to the State House Commission members this morning with regard to this one, at least. I think there's a comment here that, "The taxpayers should get more money for this property than \$75,000."

But we've had a lot of Commission members' comments and discussion on this matter, so do I have a motion at this point?

MR. DiROCCO: I'll make the motion.

MR. SHAUGHNESSY: Okay, motion.

Second?

ASSEMBLYMAN DANCER: Second.

MR. SHAUGHNESSY: Motion and second.

I'll call the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: I'm going to vote yes because of the extraordinary circumstances of this property that have been explained. But I think it would be wise for us to look into the policy where the State has owned the property for a very long period of time and, obviously, land values have changed over that period of time. So then in the future, where there are not extenuating circumstances such as in this one, I think we should take a different approach.

But I will vote yes for this one.

MR. SHAUGHNESSY: Thank you for your comment, Senator.

Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Coughlin.

ASSEMBLYMAN COUGHLIN: Yes.

MR. SHAUGHNESSY: Assemblyman Dancer.

ASSEMBLYMAN DANCER: Yes.

MR. SHAUGHNESSY: The matter is approved.

Moving quickly on to the next one, No. 5: Route S41, Section 4B, Parcel VXR19B, Block 1501, Lot 26, Winslow Township, Camden County.

The Department of Transportation requests approval to sell, at public auction, an irregular shaped tract of land consisting of approximately 5,663 square feet, or 0.13 acres. This parcel is located in the Pinelands Village Minor Commercial District and has access to Route 73. There are only two adjoining owners and both have expressed an interest to acquire the property.

The property will be sold at public auction with a minimum starting bid price of \$2,000, the appraised value.

Any Commission members want to discuss this matter?

ASSEMBLYMAN COUGHLIN: I just had a question.

MR. SHAUGHNESSY: Yes, Assemblyman Coughlin.

ASSEMBLYMAN COUGHLIN: Why is this one done by public auction and not by Internet auction? How do you determine which ones go public and which ones go Internet?

MR. SHAUGHNESSY: I don't want to hazard a guess, but I believe in this instance there may be two interested parties. But Mr. Darrar is back from the Department of Transportation.

Thank you, sir.

MR. DARRAR: Not a problem.

The Department of Transportation auctions off all its property live, in person. We operate differently than the Department of the

Treasury. So when we have an auction, we hold it at the E&O Building at DOT, and all the interested parties come down and vote so they can see what they're bidding on. They're provided a packet -- we advertise it -- so they know what they're bidding on. And they have to come prepared to pay us that day and provide 25 percent down by 3:00.

SENATOR SMITH: Question on that: Is there any chance that parties other than the two adjacent property owners would acquire the property?

MR. DARRAR: In this case it would be possible, but they would be buying an uneconomic remnant that you couldn't do anything with. The only reason we would go to auction for a noneconomic remnant is that has access to the highway -- an access that they would have to apply for through the State. It's not guaranteed access, but it's not denied by us.

SENATOR SMITH: Yes, I know. But there might be a zoning issue here. I have no idea what the zoning is either, but it may be-- If it goes to a third party, not to either of the adjoining property owners, you may be creating a nonconforming lot. And it's not a hardship that the purchaser created, but a hardship, in effect, the State created. We might be putting them in a pretty good position in a court to grant relief for some use on this 5,000 square feet.

MR. DARRAR: Yes, it's a very small piece.

SENATOR SMITH: Yes, on a relatively small lot. I mean, maybe we should be putting the condition on here that it has to be sold to one of the contiguous property owners so that we're not creating a nonconforming lot.

MR. DARRAR: We wouldn't have any problem with that as a condition. And that would-- We have situations in the past where we've had landlocked property where we wouldn't permit anybody to bid on an auction property that didn't already have approved access to it.

SENATOR SMITH: Right.

MR. DARRAR: So we weren't creating a landlocked situation that would have to get access to. But we've never had a situation where we've auctioned off a piece of property that did have access where there were two adjoining owners who were both competing for it.

SENATOR SMITH: Right. But this one must have access to a public street.

MR. DARRAR: It actually has access to a local highway that you could apply for access, but it's not guaranteed you would be granted access.

SENATOR SMITH: Right. I think we're leaving in the possibility that we might be creating chaos. So my suggestion is that we go forward with the motion to sell -- that it has to be to one of the contiguous owners.

MR. DARRAR: That would be fine.

SENATOR SMITH: Okay.

MR. DiROCCO: Assemblyman Dancer.

ASSEMBLYMAN DANCER: If I may, please, I have a Committee hearing at 10:00. Would it be possible for me to leave my votes in the affirmative? I have reviewed the agenda.

MR. SHAUGHNESSY: Is that okay, Counselor. (affirmative response)

Yes.

ASSEMBLYMAN DANCER: Thank you very much.

MR. DiROCCO: On all the remaining matters?

ASSEMBLYMAN DANCER: Pardon?

MR. DiROCCO: On all the remaining matters?

ASSEMBLYMAN DANCER: On the remaining matters.

MR. DiROCCO: Thank you, Assemblyman.

MR. SHAUGHNESSY: Thank you, Assemblyman.

ASSEMBLYMAN DANCER: Thank you.

MR. SHAUGHNESSY: Thank you for your participation.

MR. DiROCCO: So back to the discussion on this matter, Mr. Darrar, I'm just trying to get it clear in my head exactly what the contingency would be on this.

MR. DARRAR: I believe the Senator is saying that we only allow the two adjoining owners to make a bid on the property so that we don't have a situation that could occur where possibly a third party would bid and then try to sue to have it developed. And I don't have any issue with that.

MR. DiROCCO: Okay.

Anyone else have any issues with that?

SENATOR CARDINALE: The frontage is 101 feet on East Trenton Road. That would say to me that you've got, sort of -- if it's irregular, it's got an average depth of 56 feet or 55 feet, or something like that.

MR. DARRAR: It's kind of like that. It's a dwarf square shape property left over.

SENATOR CARDINALE: And it would occur to me that if we put Senator Smith's idea into this bill -- and I generally agree with Senator Smith -- it would lend itself to the two of them making a deal with one another to split the property after the auction and submit-- I'm not suggesting-- I don't know who these people are.

MR. DARRAR: One is a farmer, one is a homeowner. But they could split it today if they wanted to come back to me and want to split it equally. We've done that in the past. I would split the property and sell them half and half. They wouldn't have a need for an auction. It's two direct sales. What happens is, both parties want the entire property. But if we had a situation where two parties could work an agreement out, we have no problem making an equitable split and selling half to each party, where the other one would sign off. But in this case, the homeowner wants a little more yard, and the farmer wants a little more land to farm.

SENATOR CARDINALE: It's not very much money. It's \$2,000.

MR. DARRAR: No. It doesn't have any stand-alone value. And that's an independent value. Because it is so small, it's not a buildable piece, so it has very little value.

ASSEMBLYMAN COUGLIN: Well, we don't know the zoning though, right? If it's 50 by 100 zoning--

MR. DARRAR: I don't know the zoning offhand.

ASSEMBLYMAN COUGHLIN: It could be a buildable lot.

MR. DARRAR: I have the report from the appraisal so we'll take a look at that. If it was buildable, we wouldn't be able to offer it. It would have to go to auction.

ASSEMBLYMAN COUGHLIN: Okay.

MR. DARRAR: So that's why--

You're right, Senator (*sic*), it is a low value. But since they both want it, I will anticipate that it will be driven up.

ASSEMBLYMAN COUGHLIN: Could we put a restriction on it that they can't use it other than to increase the size of their existing property?

MR. DARRAR: Sure. We can always-- If we want to add some kind of a deed restriction, that could be done. And we would advise them prior to an auction that this is being sold--

ASSEMBLYMAN COUGHLIN: Restrict the use to their current use.

MR. DARRAR: We can restrict it to no developmental rights, something of that nature.

SENATOR SMITH: Well, I have no dog in the fight. But the flip side of it is, capitalism works. And I actually don't have a problem if they split the property between each other as long as the State gets paid at least the fair market value and more. But I don't know that we want to restrict what they can do. That's done by local zoning. They have to go through the planning and zoning boards. And whatever their town is willing to accept, God bless them. I don't think we have to restrict the development rights on the property.

As a matter of fact, it may actually chase one or two of them away if that happens. They may say, "Hey, if I can't enlarge my garage, or my whatever, my parking lot, I don't want the property." We're not a planning and zoning board. But the flip side of that is, I don't think we

want to create the possibility of mischief by allowing a very small lot to get into a third party's hands. But beyond that, the local planning and zoning should apply to whoever is the lucky party to buy it or even if they split the lot.

MR. SHAUGHNESSY: Thank you, Senator.

Are there any further members' comments? (no response)

Hearing none, is anyone from the public--

SENATOR SMITH: Let me move it with the restriction that it has to be sold to one of the adjacent property owners.

MR. SHAUGHNESSY: Motion with the restriction to be sold to one of these two property owners.

Do I have a second to that motion?

ASSEMBLYMAN COUGHLIN: I'll second it.

MR. SHAUGHNESSY: Second by Assemblyman Coughlin.

Thank you.

I'll call the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: 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 Coughlin.

ASSEMBLYMAN COUGHLIN: Yes.

MR. SHAUGHNESSY: Assemblyman Dancer has been marked in the affirmative on this matter.

We'll move quickly onto the next matter: DEP requests.

No. 6: Washington Crossing State Park, Block 12, part of Lot 20, West Amwell Township, Hunterdon County.

DEP requests approval to convey approximately 0.12 acre plus or minus to Monica McEliece, M-C-E-L-I-E-C-E, the adjacent property owner. In exchange, the private land owner shall convey 1.00 acre plus or minus of vacant land to the DEP to become part of Washington Crossing State Park. The land exchange is to eliminate the encroachment of the septic system from the residence located on Block 12, Lot 54 onto the State property. We'll say it's Lot 54 just as a clarification. In one instance it may have been something else.

Is there any more discussion -- Commission discussion on that matter? (no response)

SENATOR CARDINALE: I'll move.

SENATOR SMITH: Second.

MR. SHAUGHNESSY: Any public comment? (no response)

Okay, we have a motion and second.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: 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 Coughlin.

ASSEMBLYMAN COUGHLIN: Yes.

MR. SHAUGHNESSY: Assemblyman Dancer indicated an affirmative vote on that matter.

That matter is approved.

No. 7: Rahway River Parkway, Block 3407, part of Lot 1, Union Township, Union County.

DEP, on behalf of the County of Union, requests approval to allow the Department of Transportation to acquire approximately 0.043 plus-or-minus acre of Block 3407, part of Lot 1 in fee for right-of-way purposes. The disposal is necessary to allow the Department of Transportation to widen an existing 8-foot-wide shoulder along Route 22, between U-turn H and G, for approximately 1,200 feet to create a 15-foot-wide auxiliary lane.

As compensation, the Department of Transportation shall deposit \$44,000 into the County Open Space Trust Fund for park improvements.

Any Commission member want to be heard on that matter? (no response)

Any member of the public want to be heard? (no response)

May I have a motion?

ASSEMBLYMAN COUGHLIN: So moved.

MR. SHAUGHNESSY: Second?

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Motion and second.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: 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 Coughlin.

ASSEMBLYMAN COUGHLIN: Yes.

MR. SHAUGHNESSY: And again an affirmative vote by
Assemblyman Dancer.

That matter is approved.

Next, onto No. 8: Unnamed Parkland, Block 4, part of Lot 3;
Block 4, part of Lot 3.01, Franklin Township, Hunterdon County.

The DEP, on behalf of the Township of Franklin, requests approval to allow the diversion of approximately 0.369 plus-or-minus acres in total of unnamed Green Acres funded parkland to accommodate the construction by Transco Gas Pipeline Company of a 42-inch diameter natural gas pipeline as part of the Northeast Supply Link. And it's noted in

that, an additional 1.87 acres of the Park are needed on a temporary basis during construction.

As compensation, Transco shall pay Franklin Township \$125,000. The Township will utilize these funds to acquire at least the minimum land compensation requirement of 1.442 acres of land to be dedicated for recreation and/or conservation purposes within two years of approval of the application. Any monies left over after the replacement land has been acquired will be used for other Township Park related expenses.

This application will be subject to the terms and conditions as required by the DEP, including those listed in the public agenda.

Do I have any members' comments on this matter?

SENATOR SMITH: A question or two.

MR. SHAUGHNESSY: Yes, Senator Smith.

SENATOR SMITH: The .369 acre: Is that in fee simple, or is that an easement?

MR. SHAUGHNESSY: We have a DEP representative here.

Judeth Yeany, from the Department of Environmental Protection, Green Acres.

J U D E T H P I C C I N I N I Y E A N Y, E S Q.: Senator, I'm double-checking the agenda, but I believe we described it as both a subsurface easement for part of it and a surface easement for the remainder. The pipeline is not actually going on these parcels. The company needed some of the land for cathartic protection and some for related facilities. So the cathartic protection--

SENATOR SMITH: I couldn't hear Judeth very well. Could somebody tell me whether she said the .369 acres is an easement or if it's a fee-simple transfer?

MS. PICCININI YEANY: I'll try again. I'll speak louder.

It's an easement, but it's a combination of a subsurface and surface easement.

SENATOR SMITH: Okay. Question two: Are we being -- is Franklin, rather, because apparently they own it -- are they being fairly compensated under the new interagency memo that we had increasing the value of easements?

MS. PICCININI YEANY: The interagency memo--

SENATOR SMITH: Does it conform to that.

MS. PICCININI YEANY: Sorry. The interagency memo does not apply to this diversion. This is locally owned parkland, and we do not dictate to the municipalities whether they choose to give up a permanent easement or not. So the memo applies to leasing State property.

SENATOR SMITH: Okay. Well, let's pretend -- let's do a hypothetical. If it was State property, would they be fairly compensated under the interagency memo?

MS. PICCININI YEANY: I'd have to pull out a calculator to answer that question. This would most likely be the \$0.15 per square foot, and I'd have to do the math on that.

SENATOR SMITH: All right. Let's see, we have .369 acres, 40,000 square feet, so you're talking 12,000 square feet times \$0.15. It sounds like the \$125,000 is significantly in excess of the interagency memo, or is my math bad?

MR. DiROCCO: You trailed off a little bit there, Senator Smith. Are you saying that your opinion is that it would not satisfy what the interagency memo would have required?

SENATOR SMITH: No, I'm saying the reverse. It looks to me that if you're talking about .37 acres, you multiply that by -- I'm doing that times 40,000 square feet to an acre-- So let's-- I'm doing very rough calculations. You get 12,000 acres -- I'm sorry, 12,000 square feet. And if you multiply that by the \$0.15, you would get some number in the several thousands of dollars. Franklin Township is getting \$125,000, so it seems to me they're doing fairly significantly well. I'm just double checking that I'm not missing the math here.

MR. DiROCCO: Ms. Yeany, do your calculations come out the same.

MS. PICCININI YEANY: I just did the math quickly. And we're generally talking about 20-year leases on State property, so for the first 20 years without the 2.5 percent escalator, you're looking at roughly \$50,000.

SENATOR SMITH: 5-0, or 1-5?

MS. PICCININI YEANY: 5-0.

MR. DiROCCO: Fifty.

MS. PICCININI YEANY: That's over 20 years. I think your estimate of a couple of thousand was for the first year of the lease.

SENATOR SMITH: Okay. So in terms of the memo, this is not a bad price.

MS. PICCININI YEANY: It doesn't appear so.

SENATOR SMITH: Okay. In the notes, apparently there were comments raised by the public about questioning whether there were other suitable alternatives. Does the Department have any comment on that?

MS. PICCININI YEANY: I'm sorry, you trailed off again.

SENATOR SMITH: I'm sorry. This is not the greatest way to participate. I agree.

At the end of the briefing materials in our book for today's meeting, there was the comment that there was some -- that there was public input when the local hearing was held where questions were raised about the alternative. I mean, I think the compensation looks to me like we're in line with the normal compensation or maybe even a little better. But the questions were, were there alternative routes to avoid impacting the environment. So my question to the Department of Environmental Protection was: Did the Department look at the alternatives, and are you satisfied this is the best alternative, hopefully with the least impact on the environment?

MS. PICCININI YEANY: Well, generally speaking, the analysis of the routes is within the purview of the FERC. So at the time those comments were made by the public, I believe that the company's alternative analysis was still under review by FERC. But the certificate for the project has since been issued, and that establishes the route. So I don't think the DEP is looking to second-guess the route at this point. There are representatives of the company available and, I believe, members of the public too.

SENATOR SMITH: Okay. Thank you, Judeth.

MR. DiROCCO: Thank you, Senator.

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

We'll move to the public portion. Is there anyone from the public who wishes to be heard on this matter?

MR. SHAUGHNESSY: Yes. We noted on the sign-in sheet there were at least a couple of individuals who would like to be heard. If they could come up if they still wish to be heard.

MR. DiROCCO: Please come forward.

MR. SHAUGHNESSY: Please identify yourself and your affiliation.

K A T E M I L L S A P S: Kate Millsaps, Conservation Program Coordinator for the New Jersey Sierra Club.

The New Jersey Sierra Club has serious concerns with the Transco Northeast Supply Link project and the diversion of parkland in Franklin Township.

This pipeline expansion project will have significant impacts on the environment and the clean energy future of not only the township in Hunterdon County, but the entire state. The Sierra Club objects to the use of public lands for polluting energy projects as a way to cut project costs. These energy companies target our public lands because they are appraised lower and therefore cheaper to use than privately held lands.

We urge the State House Commission to reject this proposal to destroy our public lands for an inappropriate energy project. We have several concerns with the lease conditions. Even though they are offering \$125,000, that's only for the 1.442 acres, which is the two-to-one compensation on the subterranean and four-to-one on the permanent

diversion. But in the past when we have seen these projects before the State, the State -- in the last Tennessee Gas Pipeline one -- did do some land replacement for temporary impacts, and we would like to see something similar here since the temporary -- the “temporary” impacts are not going to be temporary. There is going to be soil compaction and there is going to be devegetation in an area that is close to a significant wetlands complex directly across the street. It’s called Mulligan Farms, and it was preserved just in the past five years or so because of those sensitive features. And the increased erosion along the right-of-way as a result of this project could have significant impacts on that wetland complex.

The project would also have significant impacts on the Highlands Region, drinking water supply, steep slopes, important wetlands, and threatened species habitat. This project is proposing to drill underneath the south branch of the Raritan River, which provides over 1 million people drinking water in the state.

And also we continue to have issues with the way these projects are reviewed at the State level. Right now, across the entire Delaware River Basin there are 13 proposed pipelines in New Jersey. There have been four already under construction, approved, coming down the pipeline. And nobody is looking at where is the best place to put these if they’re even needed at all. There is no regional planning approach to this to say -- even though energy demand for natural gas is decreasing across all sectors -- if we had to put in this infrastructure, where would be the safest and least environmentally impactful place to put it?

We urge you to not move forward with any more of these pipeline approvals until a more comprehensive, State-level review of where the best and safest place to put this infrastructure is undertaken.

Thank you.

MR. DiROCCO: Thank you, Ms. Millsaps.

Anyone else from the public wish to be heard? (affirmative response)

Please state your name for the record.

ERICA VAN AUKEN: Thank you.

My name is Erica Van Auken. I'm the Campaign and Grassroots Coordinator for the New Jersey Highlands Coalition.

As an organization that works specifically with environmental, cultural, and planning issues that impact the Highlands, we have a vested interest in the continued preservation of protected land in the Highlands because our research and experience has shown us that the negative impacts of construction consistently outweigh any benefits.

We urge that you not trade priceless public land for the construction of an unnecessary and unwanted pipeline. Instead of approving this diversion, the DEP should require Transco to route the pipeline through land that is not preserved.

Pipeline construction frequently results in permanent loss of ecological services. Long-term maintenance of the pipeline right-of-way would prevent these resources from being restored and will further encourage invasive species infestations, all of which detract from the natural integrity of the Highlands.

With such negative side effects, it will be far easier to avoid environmental degradation than to mitigate for it. If this Commission chooses to negotiate through this diversion process, they should consider these as permanent impacts. If this project is allowed to cross land encumbered by the Green Acres Program, then we are giving away our valuable and increasingly rare natural resources, the integrity of our communities, and the quality of our lives for a few dollars. It is for these reasons that we ask that the valuable land recognized as such and preserved accordingly remain protected from this pipeline and any future projects.

Thank you.

MR. DiROCCO: Thank you.

And for the record, the email that we received from Jean Q. Public also references concerns regarding this agenda item as well.

Anyone else from the public wish to be heard on this matter?

W I L M A F R E Y: Yes, Wilma Frey, New Jersey Conservation Foundation.

We urge that this committee reject this proposal and send it back to Green Acres. There is insufficient compensation provided. And we cannot continue this kind of process to occur. The company understates the impacts of the project consistently. It calls things *temporary impacts* that are not temporary impacts. It does not evaluate the impacts on off-site places. It only talks about the actual space that it intends to use. So there are impacts of erosion, of sedimentation, of compaction, vegetation removal, and impacts on wetlands that are not factored into this compensation.

This energy project has become and other energy projects have become our sacred cows. When I was a little girl, my mother used to talk about sacred cows in appalled language. “Oh, these cows. They allow them, in this country, to wayfare away, to eat anything they want, to go anywhere they want, poop anywhere they want.” And these big energy companies are now our society’s sacred cows. They destroy our natural resources, they freely utilize our public lands at far less than they are worth to us, the public. They dump their waste, they destroy our wetlands, they pollute our streams with impunity and without objection by our public, our government officials who are entrusted with the care of our resources.

So we ask you to please take a second look at this project and other pipeline and transmission line projects and make them really pay what it is worth to them. Right now they are making billions off the public and we are not being protected.

Thank you.

MR. DiROCCO: Thank you.

Anyone else from the public wish to be heard on this matter?

(affirmative response)

Please come forward.

CHRISTINE A. ROY, ESQ.: Good morning.

MR. DiROCCO: Good morning.

MS. ROY: My name is Christine Roy, R-O-Y. I’m the Attorney for Transco Pipeline.

And I have here with me Mike Heenahan, who is their environmental consultant on this Green Acres diversion.

I just wanted to make a few points, just to straighten out the record basically. The first point is just to tell you that FERC, the Federal Energy Regulatory Commission, has exclusive jurisdiction over the location of these facilities. So it's not something that DEP can dictate where you should put this pipeline. It doesn't work that way and it won't unless there's an act of Congress federally that will change that. So I just wanted to point that out, number one.

Number two: Franklin Township is on board with this diversion. We've worked cooperatively with them. We have here today the Township Attorney, Katrina Campbell, if you had any questions for her. They've been supportive of it. We've been working with them to minimize impacts.

That brings me to my next point. Transco did an extraordinary job on this project the last 18 months in reviewing the route and taking it upon themselves to minimize and reduce impacts to the parkland especially, and to the whole route across private landowners as well. So they've done a very good job in doing that. And that's why these facilities are-- They're collocated where there are other pipelines. The best way to minimize impacts to the environment is to keep them alongside the existing pipeline.

And then Mike Heenahan was going to speak to the HDD question that came up.

MICHAEL E. HEENAHAN: Before I do that, I worked for the Department of Environmental Protection for 37 years, the last 21 with Green Acres. And I've been doing environmental consulting for three-and-a-half years, especially on diversions.

What's critical to know in this particular case is that the land in question-- We acquired in 1999 most of the right-of-way and a lot of the temporary workspace that we need today before it became parkland. It became parkland after the fact. We're here today requesting that we're allowed to -- that Franklin Township is allowed to grant an easement to us for the cathartic bed protection -- which we talked about a little bit -- and also for some additional temporary workspace. The temporary workspace that we proposed to occupy is pastureland. It is not wooded. There are some wetland issues, but we have addressed them in permits. We've gotten permits for that, if I understand. We have approvals from DEP on that.

MS. ROY: Right, correct. They've been issued.

MR. HEENEHAN: So it's critical to realize that we're only asking for a little bit more of what we already acquired before it became parkland.

In terms of alternative analysis: As Christine referred to, it's way better to follow a utility corridor that exists than to create a brand new corridor where you impact property owners who have never been impacted before. And it's generally, as I understand it, the position of most folks to collocate within those utility corridors.

If you have any other questions, we'd be glad to address them.

MR. DiROCCO: Thank you.

Any questions?

ASSEMBLYMAN COUGHLIN: I just have a quick question.

MR. DiROCCO: Assemblyman Coughlin.

ASSEMBLYMAN COUGHLIN: The route is determined by someone other than the State?

MS. ROY: By the Federal government.

ASSEMBLYMAN COUGHLIN: By the Federal government.

MS. ROY: Right.

ASSEMBLYMAN COUGHLIN: Do they set the price that you have to pay?

MS. ROY: The price for the diversion -- what we're paying?

ASSEMBLYMAN COUGHLIN: Yes.

MS. ROY: No, that's completely a State procedure that we follow, and we have done so.

Just by way of example, if you're not familiar with the Green Acres regulations and the compensation provisions within it, it's a 10 to 1. If you pay cash, it's a minimum 10 to 1. So I think the value here--

ASSEMBLYMAN COUGHLIN: Where is that?

MS. ROY: That's in the Green Acres regulations as a minimum starting point for cash compensation only for these types of facilities. Without getting into too much detail, I think the appraisals came out to be something like \$4,500. This is an approximation by me. So just to give you a perspective, we're paying \$125,000, far in excess of what the 10 to 1 would be.

ASSEMBLYMAN COUGHLIN: Now, there is an existing pipeline that goes--

MR. HEENEHAN: There are two pipelines in place.

ASSEMBLYMAN COUGHLIN: And this land is adjacent to it.

MR. HEENEHAN: Immediately adjacent to it.

ASSEMBLYMAN COUGHLIN: Okay.

MR. DiROCCO: Thank you.

Any further questions or comments? (no response)

Anyone else from the public wish to be heard on this matter?

(no response)

Seeing none, I think we can close the public portion. Actually, I did reference the e-mail.

MR. SHAUGHNESSY: Yes, thank you, Chairman.

Motion?

SENATOR CARDINALE: Move it.

MR. SHAUGHNESSY: Thank you, Senator.

Second?

MR. DiROCCO: I'll second it.

MR. SHAUGHNESSY: Motion and second.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: I'm going to abstain. And the reason for my abstention is because I have continuing issues with the valuation question. You may remember at a prior State House Commission meeting we had a discussion about whether the -- in that case it was a State transfer -- were being fairly paid based on the profit potential of the pipeline. And

we've had this discussion-- Actually, Senator Cardinale and I have had this discussion about whether the valuations should be based on an appraisal that doesn't take the commercial value of the property in consideration.

So on that basis I'm going to abstain. That pretty much concludes my comments.

MR. SHAUGHNESSY: You're abstention on No. 8 is noted. Thank you, Senator.

Assemblyman Coughlin.

ASSEMBLYMAN COUGHLIN: I shared the concern about the valuation. It seems to me that the Town is in a pretty good negotiating position. The route has been approved. It's adjacent to the existing pipeline. It seems to me that they really don't have anywhere else to go and they probably could have extracted a better price. But I'm not going to question the Town's wisdom.

I'll vote yes.

MR. SHAUGHNESSY: Thank you.

Assemblyman Dancer has been marked in the affirmative of that as well. That matter is approved.

Moving on to No. 9: India Brook Park, Block 116, Lot 6 (*sic*), Mendham Township, Morris County.

The DEP, on behalf of Mendham Township, requests approval to divert a total of 3.6 plus-or-minus acres of parkland. The areas include two residential structures and a vacant kennel facility which previously served as the breeding facility for the previous tenant, the Seeing Eye organization. The diversions will, one, allow the Township to provide an affordable housing option for local volunteer emergency services personnel;

and two, allow for continuation of a regional animal control program by reusing the existing kennel facilities.

To compensate, Mendham Township, in coordination with Randolph Township, proposes to compensate for the diversion of approximately 3.6 acres of parkland with 92 plus-or-minus acres of replacement land located nearby in Randolph Township. The replacement land -- two contiguous lots -- are situated along the south side of Calais, C-A-L-A-I-S, Road and the north side of Doby Road, just east of their intersections with Dover-Chester Road, CR 513, and are located adjacent to Heistein Park.

The 92 acres will be added to Randolph's Recreation and Open Space Inventory within six months of the approval of the proposed diversions.

Do we have any members wishing to be heard on this matter?
(no response)

Hearing none, any members of the public here wishing to be heard on this matter? (no response)

And I do want to note again, No. 9 -- this India Brook Park -- Jean Public has submitted a comment that she opposes affordable housing on this site that used to be Seeing Eye property. She does not think that the site is at all suitable for affordable housing.

With that said, any other public comment? (no response)

Hearing none, may I have a motion?

SENATOR CARDINALE: So moved.

ASSEMBLYMAN COUGHLIN: Second.

MR. SHAUGHNESSY: Motion and second.

I'll call the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: 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 Coughlin.

ASSEMBLYMAN COUGHLIN: Yes.

MR. SHAUGHNESSY: And Assemblyman Dancer is in the affirmative.

That matter is approved.

We're going to be moving to the final portion of the agenda. May we have a motion to sit -- have the State House Commission sit as the Judicial Retirement System Board?

SENATOR CARDINALE: So moved.

MR. SHAUGHNESSY: Second?

ASSEMBLYMAN COUGHLIN: Second.

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

Opposed, abstentions? (no response)

Okay. We are now sitting as the Judicial Retirement System Board.

There are several matters to consider. Now sitting as the Board of Trustees for the Judicial Retirement System, we request the approval of the following: approval of the minutes of the meeting held on September 24, 2012.

May I have a motion?

SENATOR CARDINALE: So moved.

MR. SHAUGHNESSY: Second?

DEPUTY STATE TREASURER ROMANO: Second.

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

ASSEMBLYMAN COUGHLIN: I'll abstain.

MR. SHAUGHNESSY: Assemblyman Coughlin abstains. And I assume that Assemblyman Dancer's abstention carries from the original minutes as well.

Next, two: confirmation of the death claims, retirements, and survivor benefits. May I have a motion to approve that?

SENATOR CARDINALE: So moved.

MR. SHAUGHNESSY: Second?

ASSEMBLYMAN COUGHLIN: Second.

MR. SHAUGHNESSY: Motion and second.

Any discussion? (no response)

Any public comment? (no response)

Hearing none, all in favor? Oh, roll call.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: 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 Coughlin.

ASSEMBLYMAN COUGHLIN: Yes.

MR. SHAUGHNESSY: Assemblyman Dancer is in the affirmative.

That matter is approved -- two.

And finally, receive financial statements from July 2012. Those are contained in the members' packets.

May I have a motion?

SENATOR CARDINALE: So moved.

MR. SHAUGHNESSY: Second?

ASSEMBLYMAN COUGHLIN: I'll second.

MR. SHAUGHNESSY: Motion and second.

Any discussion? (no response)

Any public member comment? (no response)

Roll call.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: 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 Coughlin.

ASSEMBLYMAN COUGHLIN: Yes.

MR. SHAUGHNESSY: Thank you, sir.

And Assemblyman Dancer in the affirmative.

Do we have a motion to return to sit as the State House
Commission?

ASSEMBLYMAN COUGHLIN: So moved.

MR. SHAUGHNESSY: Second?

DEPUTY STATE TREASURER ROMANO: Second.

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

Any abstentions, any opposed? (no response)

That concludes the business of the State House Commission.

Thank you, everyone, for your attendance.

We wish everyone a happy holiday.

Until next year.

(MEETING CONCLUDED)