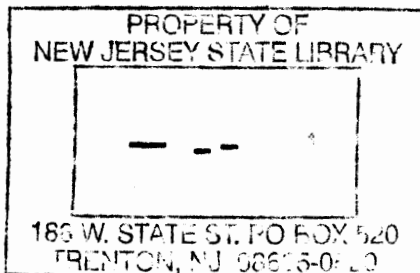


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PUBLIC HEARING

before

SPECIAL COMMITTEE OF THE GENERAL ASSEMBLY TO
MAKE AN INVESTIGATION AND REPORT ON THE USE
OF PUBLIC FUNDS TO ACQUIRE TITLE TO LAND TO
BE USED BY THE STATE OF NEW JERSEY AND TO
DETERMINE WHETHER IMPROVEMENTS CAN BE MADE
IN EXISTING PROCEDURES. [Created by Assembly
Resolution No. 7, 1964, and reconstituted
under Assembly Resolution No. 1, 1965]



Held:
Assembly Chamber
State House
Trenton, New Jersey
June 25, 1965

MEMBERS OF COMMITTEE PRESENT:

Assemblywoman Marion West Higgins [Chairman]

Assemblyman Raymond H. Bateman

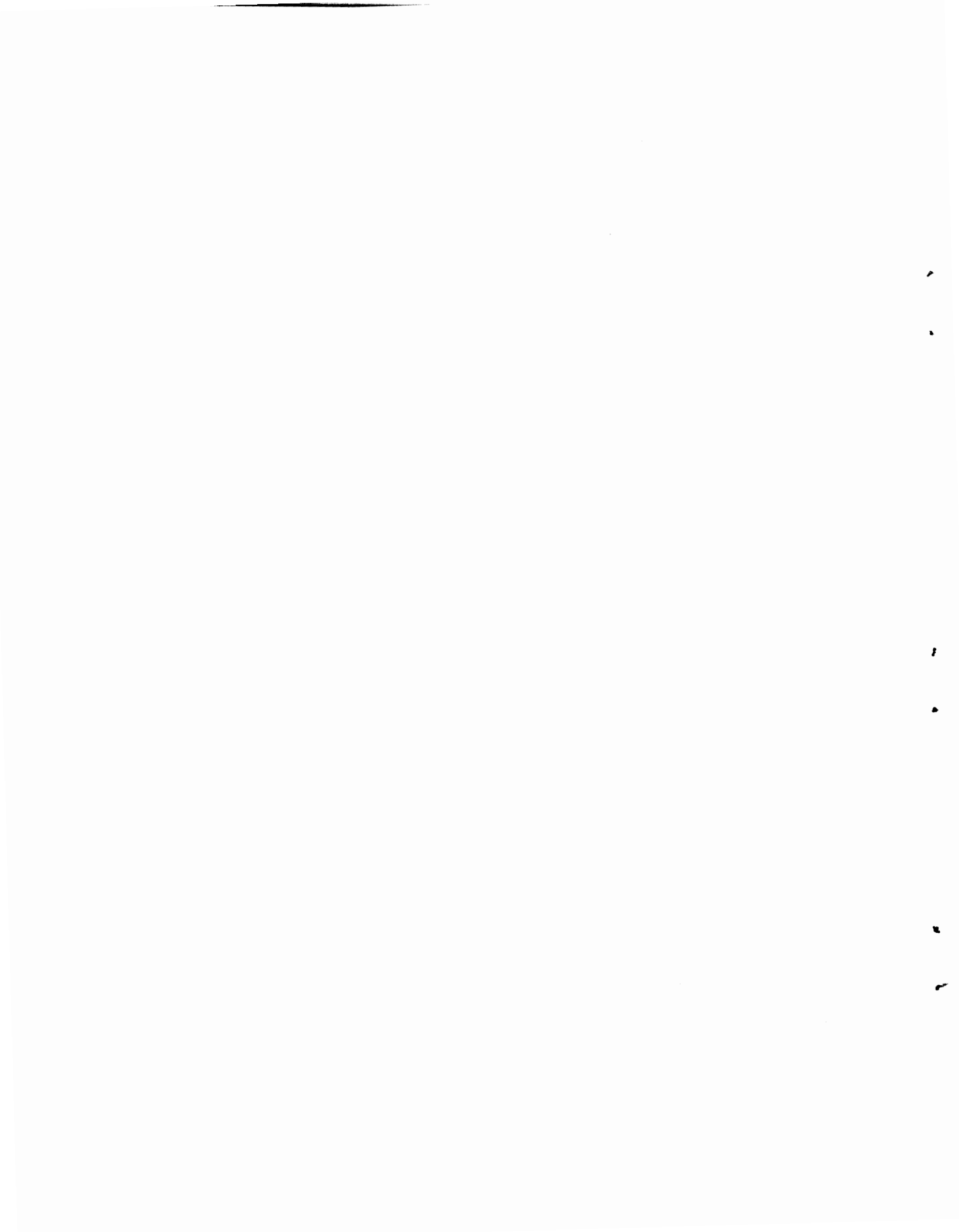
Assemblyman Norman Tanzman

Also:

Michael J. Ferrara, Esq. [Counsel]

Samuel A. Alito [Secretary]

* * *



I N D E X

W I T N E S S E S

John R. Slotus

Exam. by

5-Ferrara

Harry M. Stanley

74-Ferrara

MRS. HIGGINS: Good morning,
ladies and gentlemen.

I want to apologize in that we are starting a little late. We have been waiting for two more of our members to arrive, and we have just been notified that they are on their way.

For the purpose of record, this is our first public hearing that we are holding under Assembly Resolution No. 1, which created a committee or recreated a commission that had been created under Assembly Resolution No. 7. This resolution had the following purpose: the Assembly Resolution creating a special committee of the General Assembly to make an investigation and report on the use of public funds to acquire title to lands to be used by the State of New Jersey, and to determine whether improvements can be made in existing procedures.

On my left, Assemblyman Normal Tanzman, and on my right, Assemblyman Raymond Bateman, counsel Michael J. Ferrara of Hackensack, and I am Marion West Higgins.

We had a letter from Commissioner Rowe after this original commission had been created, and in his letter he requested, because of charges and allegations that had been made concerning the purchase of property

referred to as Thunder Mountain or Shepherd Lake, requested that we give priority in our commission studies to investigating the purchase of Thunder Mountain.

He felt that because of the need for the Green Acre Program to be invalid, we should give this priority.

The Commission authorized me - - we met and the Commission authorized me to send back, in response to this letter, a reply saying that we would be happy to comply with his request because all of us had worked hard for the Green Acres Program and we felt that it was important, for the proper development of the State of New Jersey, to make sure that there was utmost integrity in this program.

We have held several private hearings to ascertain information concerning the purchase of this property, and because of requests that have been made, and, also, because of the fact that we felt that it was right for the public to know the progress of our hearings, and because Commissioner Rowe specifically requested in his letter that we do make public knowledge of our hearings, we are holding today our first public hearing.

Today we are going back, for re-witness, one of the outside appraisers used by the State, Mr. Slotus.

Mr. Slotus, would you step forward.

J O H N R. S L O T U S, called as a witness, being first duly sworn, testified as follows:

MRS. HIGGINS: Now, I will turn the hearing over to you, Mr. Ferrara.

MR. FERRARA: Thank you, Madam Chairman.

MRS. HIGGINS: And again, our apologies for the record. I want to go on record and say that Mr. Slotus was here at nine o'clock as requested.

I would like to thank you very much again for your indulgence, and apologize for the delay. We are waiting for two other members of the Commission, Mr. Irving Keith, and David Mandelbaum, and they are on their way.

MR. FERRARA: Thank you very much, Madam Chairman.

BY MR. FERRARA:

Q Mr. Slotus, at the last executive hearing - -

MR. TANZMAN: Excuse me.

MR. FERRARA: I'm sorry.

MR. TANZMAN: In view of the fact that this is the first public hearing, and in view of the fact that there is no record of Mr. Slotus' qualifica-

tions, I would suggest, before we proceed, that Mr. Slotus give us a list of his qualifications and his background.

With your permission, Madam Chairman?

MRS. HIGGINS: I think that is very advisable.

Granted.

Q Mr. Slotus, would you please give us your qualifications?

A I am a real estate consultant and appraiser.

I have been a licensed realtor in the State of New Jersey for twenty-seven years.

I am a licensed realtor in the State of New York.

I was the right-of-way condemnation appraiser for the State of New Jersey Highway Authority in the construction and acquisition of the Garden State Parkway. I did this for about five or six years.

I am a member of the American Society of Appraisers.

I am a member of the American Right-of-way Association.

I am a member of the National Board of Realtors.

I am a member of the Passaic County Board of

Realtors.

I am a certified appraiser for the United States Government.

I am an appraiser for the Veterans Administration.

I am an appraiser for the Federal Housing Administration.

I am an appraiser for the General Services Administration.

I am an appraiser for the New Jersey Highway Authority.

I am an appraiser for the Rockland Orange Electric Company.

I am an appraiser for the Sun Oil Company, and many other large corporations.

I appraise for the City of Paterson, Urban Renewal.

I appraise for the City of Passaic.

I appraise for the City of Clifton.

I appraise for the City of Paterson.

I appraise for Emerson, New Jersey, and many other municipalities.

I have testified before the Superior Court.

I have testified before the Public Utilities Commission.

I have testified before the Federal Court.

I have testified before state and local tax assessment boards.

Q Fine, Mr. Slotus.

There may be today a little bit of what might constitute repetition of what took place before, but only because of the fact that this is the first public record, and this is the record that will be available to the public.

I assume that some of these things may be of a repetitious nature. I am going to, in attempting to inquire of you, not try to rehash, if you will, or go through the great details that we may have gone into before, but certainly, Mr. Slotus, in my questioning, feel free to, if you feel that I have failed to pick up some area from before that you feel is necessary, feel perfectly free to advise us.

A Yes.

Q Let us begin.

Can you indicate to us how you came about to make this appraisal for the State regarding the particular

property in question at this time, that being Shepherd Pond or Thunder Mountain?

A I was contacted by the Department of Conservation and Economic Development of the State of New Jersey.

Q About when was that?

A It was the early part of 1963.

Q And what was the nature of the contact that was made?

A Whether or not I was interested and could appraise the subject property for the Department and to agree upon fees.

Q And what did you do as a result of that inquiry?

A I made an investigation as to the type of property that was involved, and what estimates - - I estimated about how much time it would take to do the job before I replied and gave them my answer.

Q What sort of a bid did you give them?

A I submitted a fee of \$300.00.

Q Three hundred hours?

A No, it was a period of fifteen days.

Q Fifteen days?

A Yes.

Q Would you have any objection to telling us what your bid offer was, what was - -

MR. TANZMAN: His fee?

Q Your fee, I am sorry. What was the fee you submitted?

A \$1,500.00.

Q \$1,500.00?

A Yes.

Q That was estimated on about a fifteen-day period of time overall?

A That is correct.

Q And that, you say, was in the early part of '63?

A Well, I was authorized to perform by a letter dated July 11, 1963.

Q All right.

Now, that was a follow-up then to your submission of your fee? The Department contacted you, by letter, on July 11, of 1963 to go ahead and do the job?

A That is correct.

Q And what was the contents of that letter, generally?

A They authorized me to perform, for the State of New Jersey, an independent appraisal in the name of Shepherd Lake Property, Inc., known as Lots 2, 5B, 5D and 5E, in Block 113, Borough of Ringwood, County of Passaic, State of New Jersey.

Q Was there a time limitation in it as to when they wanted

this report?

A Yes.

You stated in the appraisal - - I agreed that the appraisal would take fifteen days to complete.

Q And they - - all right.

When did you complete your appraisal?

A My appraisal was dated July 22nd, 1963.

MRS. HIGGINS: I would like to know, Mr. Slotus, when did you originally hear from the State asking you to submit a bid for the appraisal? Did you say it was early 1963? Would that be January or February?

THE WITNESS: I assume it would be somewhere around June, maybe May or June. I don't have the exact date.

MRS. HIGGINS: May or June?

THE WITNESS: That's right.

MRS. HIGGINS: It was not in the winter? In other words, they didn't contact you before-

THE WITNESS: No, sir.

MRS. HIGGINS: The only reason I asked, Mr. Slotus, is because you had indicated earlier that you had walked over the land in March or February.

THE WITNESS: It is possible that that was when they contacted me, but I don't think it was that early because they had other bids, too, on the property. I don't recall the exact date.

MRS. HIGGINS: You think it was in the summertime?

THE WITNESS: I would say it was April or May. The exact date I don't know. I was authorized to perform on July 11, 1963.

MRS. HIGGINS: Proceed.

Q Now, Mr. Slotus, in making this appraisal, what was your basis in making it, that is, what was the highest and best use?

A Well, according to the appraisal which I submitted, I stated that the highest and best use of this land is its present use, which is a lake development and resort area. The contour of the land, with a fine spring-fed lake, large quantities and mixtures of fish, the bathing beaches, boat docks and other matters, makes it an ideal summer-winter resort.

Q Now, Mr. Slotus, in its present use, what would be - - strike that.

The present use was as a resort, as a club

setup; is that right? That was the present use of the property; is that correct?

A At the time of my inspection it was being utilized for a private, well, I say resort. They had club facilities.

Q The country club type?

A Yes.

Q Now, in order to give that type - - in order to arrive at a valuation for that use, is it necessary to determine the income that that use is producing?

A Not necessarily, because I felt that this was a lake property and that it should be utilized, I feel, for the development of homes and, also, used as you would any other lake development - not strictly for a resort area.

Probably like the same type of development such as Lake Mohawk or Smoke Rise, where you can utilize the land for the development of homes along with the use of the lake.

Q I see.

MRS. HIGGINS: Mr. Slotus, normally, if you use an income-producing property as a continuing use as the highest and best use, which was what your appraisal did - - in other words, you used it as a continuing use, as a resort, wouldn't it be a normal appraisal practice to give the income from that

property?

THE WITNESS: Well, in my opinion, that was not the highest and best use, the way to approach the value of that property, based on its income. I feel that - - I felt that it was more to the use of a development of homes with the use of the lake as a private community.

Q Well - -

MRS. HIGGINS: Well, your appraisal did use, as the highest and best use, a resort in a continuing use, you so testified in the appraisal itself? Does the appraisal itself list it that way?

THE WITNESS: Well, I stated it that way, but I believe, mainly behind my thinking, was the development of the land with homes, and, also, the use of the club house as a resort if necessary. I mean, it was leased, there are leases on the property.

MRS. HIGGINS: Of course, I can only go by the record.

MR. TANZMAN: Let me clarify this, if I may.

MRS. HIGGINS: Surely.

MR. TANZMAN: I think what is

confusing Mrs. Higgins, and maybe some of the others, is the fact that there is income attributable to this part of this property; is that correct?

THE WITNESS: That is correct.

MR. TANZMAN: There are two leases on this property; is that correct?

THE WITNESS: Yes.

MR. TANZMAN: One lease covers the ski run, and the other lease covers the skeet shoot?

THE WITNESS: That is correct.

MR. TANZMAN: Do you know how much land each of these leases incumbers?

THE WITNESS: No, sir.

MR. TANZMAN: Well, as I understand it, the one - -

MRS. HIGGINS: Excuse me - -

MR. TANZMAN: I want to follow this through and qualify this point.

MRS. HIGGINS: All right.

MR. TANZMAN: One lease, as I understand it from previous testimony, covers some five - - well, about five acres, and the other lease covers some ten acres, so that these two leases cover fifteen acres

out of some five hundred and, close to forty acres of land; is that correct?

THE WITNESS: That is correct.

MR. TANZMAN: So that, in taking into consideration any income you would have to weigh that portion of the income as it affects fifteen acres of the five hundred and forty acres; isn't that correct? Wouldn't that be the method you would use?

THE WITNESS: Yes, although I felt that this property should not be valued based upon an income-producing property.

MR. TANZMAN: In other words, your answer is that because only fifteen acres out of five hundred and forty are used for income purposes, it is not a significant factor?

MRS. HIGGINS: Mr. Tanzman - -

THE WITNESS: That's right.

MRS. HIGGINS: Mr. Tanzman, may I suggest that that was not his answer, because he did not know the amount of land that the leases incumbered.

That is the way you just testified until Mr. Tanzman told you; is that correct?

THE WITNESS: As to the acreage,

I did not check into that, but I knew the location of the facilities being used by the ski run and skeet shoot.

MRS. HIGGINS: In other words, you are saying that you did not check into the existing leases on the property?

THE WITNESS: That is correct.

MRS. HIGGINS: You did not check into the existing leases on the property at the time you made the appraisal?

THE WITNESS: I was informed of the price, I believe the terms - - no, not the terms, but what they were paying. I have a record of that in my file. Information was given to me at that time concerning this, but I didn't feel that it was an important factor in determining the value of this entire tract.

MRS. HIGGINS: Well, Mr. Ferrara, as long as the subject matter of leases has been brought up, I think we should explore this a little more thoroughly.

MR. FERRARA: Fine. I had intended to do that a little later on, but as long as we are on the lease phase of it, I guess this would be the spot to go ahead with it.

Q Mr. Slotus, as concerns the lease phase of this, as I understand it, you did not take into consideration the income that was flowing from these leases for whatever reason you decided not to use it. We haven't quite gotten to the reason why you didn't consider the income at all from these leases.

A Well, I felt that this property had to be value as a lake property which would be developed with homes on a community basis such as Packanack Lake was, Mohawk Lake, Smoke Rise and so on. I felt that the facilities which they had there such as the country club, skeet shoot and ski run, could be part of that community.

Q All right.

Now, as far as the lease provision then, did you look into the term of that lease at all, or the provisions regarding it other than the income?

A I was given the information and they were long-term leases, but I don't have it in front of me at the present time.

MRS. HIGGINS: Well, Mr. Slotus, it would be correct to say then that you did not consider the leases in any way as part of the necessary information in determining your valuation of the property? The

existence of the leases you did not take into consideration at all; is that correct?

THE WITNESS: I had to consider them because they are there. I did not use the income approach to value to determine the value of the entire tract, but the leases were there and anybody buying this property would have the benefit of those leases.

MRS. HIGGINS: Did you check into the leases at all?

THE WITNESS: The exact leases?

MRS. HIGGINS: Yes.

THE WITNESS: No.

MRS. HIGGINS: You haven't seen copies of the leases?

THE WITNESS: No, I did not.

MRS. HIGGINS: Well, I think, for your information, Mr. Slotus, we should call to your attention what the restrictions are that are placed on the property when you examine the lease. I think it is usual and customary, in appraisal practices, to check into any restrictions on a piece of property before you give the appraised value, particularly if you are appraising it - - giving it as a continuing use which was

for a resort. In an investigation of the lease that exists on the property, you say, "long-term," you have any idea of how long the term is for the lease?

THE WITNESS: Yes, I have some information on it. At the time of making my appraisal it was given to me. I felt that that was not a major factor. The skeet shoot and the ski run could remain in operation as long as the lease provided to any potential buyer who would purchase with those facts in mind. My main thought in appraising this property was the fact that it could be developed with homes as a community.

MRS. HIGGINS: Well, I can only read from your appraisal, and your appraisal says that the highest and best use of this land is its present use, which is lake development and resort area, and you refer to the ski run and the skeet shooting range which are the subject matter of the leases that we are referring to.

Now, if you had checked into the leases you would have discovered that there was income from the leases amounting to an average of about \$3,700.00 for the skeet shoot, and there was income from the lease pertaining to the ski run that should have been included as part of your evaluation of the overall picture, but more

important was the encumbrances that existed on the property and the restrictions because of these leases. These leases were long-term in that they were for twenty years and are for twenty years and there would be a penalty to the purchaser if the leases were terminated. I think the penalties are important, and I think - -

MR. FERRARA: Madam Chairman, if I may.

Q In considering the lease or the effect of a lease on an appraised property, it would seem, Mr. Slotus, that it would have been necessary for you to look at the lease to determine the restrictions Madam Chairman was referring to, one of which was a cancellation provision that the landlord would have had to pay. I believe the figures were after the third year - - after the fourth year of operation, they would have had to pay \$200,000.00 to the tenant to terminate the lease. Now, wouldn't that be one factor that would have had to be given some consideration in arriving at an appraisal?

A Well, all those factors have to be considered. Any lease, any encroachment upon the property has to be considered or taken into consideration in appraising and analyzing this tract of land. I was informed of the

leases, I was informed of the terms, and I was informed of the amount of money which they were paying. I felt that this tract could very well be developed as a community, could have the resort facilities which I took into my consideration as to value, and it would not be just strictly a resort property.

Q All right.

Did you take into consideration - - strike that.

You say you were advised of the terms?

A Yes.

Q So therefore, you were aware of the fact that there was - - that this lease would have had to continue in the hands of the State; that they could not terminate it without paying some penalty of \$200,000.00 after the fourth year; is that correct?

A I knew the leases were in effect and for a period of, as you stated, about twenty years.

MRS. HIGGINS: But you weren't aware of the penalty?

THE WITNESS: No.

MR. TANZMAN: Let me ask one question.

Conversely, where you have a flow of income for

twenty years, this has a value, has it not, in appraisal practice?

THE WITNESS: That is correct.

MR. TANZMAN: Shouldn't you have included this and taken this into consideration, and, perhaps, this would have reflected in your overall value?

THE WITNESS: Well, I considered that in my overall value, but I did not use the income approach to value which we would use for income property.

MR. TANZMAN: I realize that you didn't use the income approach, Mr. Soltus, but if X acres, in this instance fifteen acres, or, as I understand it, I have never seen the leases until just this moment - -

MRS. HIGGINS: Well, they corrected it. The actual amount of acreage is ten acres for the skeet shoot, but there is a provision that there must be reserved 35 - -

MR. FERRARA: Forty-five.

MRS. HIGGINS: Forty-five surrounding acres, so the total amount of acreage which we are talking about, for the skeet shoot alone, is 55 acres, which is a considerable amount based on your total appraised

value per acre which amounts to around \$3,000.00, so, we are talking about a considerable amount of land that has to be reserved for this.

2 MR. TANZMAN: Not having had the benefit of seeing these leases, but regardless of that, where you have X acres, and if in this instance we have 55 acres plus whatever number of acres are involved in this ski run, and you have a flow of income and you are now affecting 60 acres - - let's say a total of 65 acres, and if you attribute a value to this 65 acres out of the 540 which would be normal appraisal practice, and then you took the flow of income that is attributable to this 60 acres, shouldn't that have been weighed in your conclusion?

THE WITNESS: Yes, it might have reflected - - it might have reflected a higher value. It might have reflected a higher value than the average \$2,700.00 per acre, which my appraisal did reflect, if I capitalized the flow of income over the period of the lease.

MR. TANZMAN: Well, in any event, Mr. Slotus, it should have been considered?

THE WITNESS: That is correct.

MR. TANZMAN: All right.

Q All right.

Mr. Slotus, as long as we are on the lease, let me - - did you take into consideration any of the other terms? For instance, a lease on the ski chute indicates that the landlord was to maintain the roads. So that would have been an obligation of the State, in this case, to maintain the roads for the benefit of that tenant, and these are concessions, these leases; is that correct?

A Yes, but I assumed that any road within this tract would be maintained by the owner because they are not public roads. I believe they would have to be maintained by the owner or whoever purchased the property.

Q All right.

Now, so therefore, unless you had taken into consideration the possible income from this lease which is estimated at about thirty-seven - - \$4,000.00 average a year, maximum of \$5,000.00, unless you took that into consideration as well as the penalty provisions referred to and the restrictions on the overall acreage, the additional acreage that this lease indicates, your appraisal was lacking an important ingredient, was it not?

A It was - - it was considered by me. I knew the terms of the lease. I knew the income. I did not feel that it would affect the fair market value of this tract which had four hundred and some acres.

Q So you did take into consideration the income?

A I had knowledge of it. I did not capitalize it to determine what the flow would reflect as so much per acre to the purchaser.

Q But you were not aware of the restrictions on the land?

A I was not informed of the restrictions.

Q So they were not taken into consideration in the appraisal?

A No, but - -

Q They couldn't have been?

A No, but I assumed that as long as the lease was in force, as far as the tenant was concerned, there would be no penalties. If the landlord cancelled the lease, then, that restriction would take effect.

Q Fine.

Now, at the time of our hearing previously, and I would just like to go into this so that it is in this record here. I do not have blown-up pictures of it, but would you please look at these two pictures, and I am quite sure you identified them as being what this

ski slope was supposed to be.

(Document above referred to handed to witness)

A That's the slope, yes.

Q Fine.

Now, Mr. Slotus - -

MR. FERRARA: Now, if I may, Madam Chairman, I would like to go back to this question of lake development that Mr. Slotus was speaking about.

Q As far as lake development goes for homes and so forth, Mr. Slotus, it would then be necessary for you to take into consideration the improvements of this land for that purpose; is that right?

A They would have to be considered by the developer after he purchased the property.

Q And in order for a developer to do this, he would have to get the normal subdivision of the property; is that correct? He would have to have the property subdivided into building plots?

A That is correct.

Q And in making your appraisal, Mr. Slotus, did you take into consideration that the only public access to this property was through - - the only public right-of-way was through New York State at the present time?

A Yes.

Q So that a developer would use that as his access at this time if he were to purchase this property and develop it?

A That is correct.

Q Now, you had, through your appraisal, indicated a lake front value of \$175.00 a front foot; is that correct?

A That is correct.

Q And you estimated that based on the present zoning? Excuse me, rather that the present zoning would have been 125-foot frontage by 200-foot depth?

A Correct.

Q So that - - and you applied 6,000 lineal feet of road frontage - - I am sorry, of lake frontage - -

MR. BATEMAN: Lake frontage.

A That is correct.

Q So that the bulk of your appraisal, which totalled \$1,050,000, was based upon that calculation; is that correct?

A That's the approach I used.

Q All right.

Now, how did you arrive at this \$175.00 per front foot?

A Well, I have analyzed sales up in West Milford, Ringwood

and other areas, I analyzed them from 1960 when I did the Greenwood Lake appraisal. I've checked with Lake Mohawk through the Crane Company. I checked with Smoke Rise, Green Pond and individual sales through West Milford and Ringwood. After analyzing the different sales and comparing them with the subject tract, I felt that the subject tract's possibilities were much greater. It had a better body of water and it could be developed as a community lake and not as a big lake like Greenwood and Green Pond. I felt that this tract, overall, for the acreage, should bring somewhere around \$2,700.00 per acre. I just broke it down as to lake frontage and rear acreage.

Q Well, Mr. Slotus, we asked you at the last hearing, and this is one of the important reasons why you were brought back today, to send us some of these comparables that you had referred to previously, and you indicate now that there were, and we did receive - - the Committee did receive, here a week or so ago, maybe it is not that long, only a couple of days - -

MR. TANZMAN: Yesterday.

MR. FERRARA: Yes, I see the date.

I am confused on my dates.

Q (continuing) - - some comparables, but in each of these cases, as I analyzed them, they are individual building plots as distinguished from large acreage.

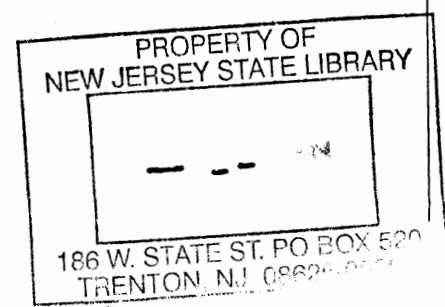
Now, the last time you were going into this question, and Mr. Tanzman asked you some questions about is this a proper comparable sale, to use a single lot as a comparable when we are talking about, as Mr. Tanzman is referring to, wholesale property, five hundred acres of 6,000 feet, and you indicated that actually the answer to the basic question was, "No, I would say a single lot sale would be a higher range." Now, do you still feel that that is so?

A Well, an individual plot on a lake, a developed lake, would no doubt - - would, yes, bring a higher value than if you are out selling raw acreage such as the subject property. There have been sales which I considered back in 1960, sales of lakes such as Lake Senoma, which only had a 12-acre lake, and it reflected - - well, I think it was about \$1,500.00 per acre overall for a 400-acre tract.

Q What was the name of that lake?

A Lake Senoma.

Q Senoma?



A Yes.

Q Did you supply that to the Committee?

A No.

Q Oh.

A No, I had that in another file, the Greenwood Lake file.

Q All right, we will come to that. That is Greenwood Lake - -

MR. TANZMAN: Excuse me. - -

MR. FERRARA: I would like to complete this thought on these lots, if I may.

MR. TANZMAN: Okay.

Q The highest lot value of all of the lots - - it appears that you have some as little as \$90.00 a front foot, and one at \$141.00 a front foot for lake front property, an individual lot, and yet in this appraisal you came up with \$175.00 a front foot.

A Yes, I felt that this entire tract, the type of lake it had, would warrant that figure per front foot of lake frontage. Now, as I said before, I established in my mind about \$2,700.00 per acre for the entire tract. I broke it down by lake frontage and rear frontage. Now, rear frontage could have taken the higher and the lake frontage could have been slightly lower, but in the

overall picture I felt that this entire tract warranted \$2,700.00 per acre which included - - it would take in the lake itself.

MR. TANZMAN: Are you finished?

MR. FERRARA: Well, just for the last, for the moment.

MR. TANZMAN: Let me go back to that question.

At our last meeting, you were discussing your appraisal, and I think we pretty much resolved the fact that the basis of your appraisal was comparable sales, and that you used - - of the three methods of appraisal that are commonly used, reproduction, market data approach and the comparable sale approach, you determined that in this instance the best approach was the comparable sales approach; is that correct?

THE WITNESS: As far as land was concerned, yes.

MR. TANZMAN: Yes, I am not talking about the improvements that are on the property.

We concluded at the hearing with the theory that you were going to check your files again and you were going to see what comparable sales there were that would

help to justify the value that you have placed upon this property; is that correct?

MRS. HIGGINS: May I interject there, too, to point out that we had brought out the fact that the comparables used in your appraisal in no way had anything to do with this type of property; that the only appraisal comparable that you gave was the Florida Lake property or the Greenwood Lake, and that the other comparable were not - - they were individual lots and didn't have anything to do with lake frontage, and therefore, couldn't be used as market data approach in order to arrive at your appraised figure. We requested that we get a copy of the Florida Lake appraisal so we could see how you determined that, and then, in questioning about the Florida Lake appraisal we discovered that you had made that appraisal for the State and the State had purchased this property on the basis of your appraisal. We wondered if that was the property used as a comparable in this appraisal.

Is that a fact, Mr. Tanzman?

MR. TANZMAN: Yes, that pretty well sums it up.

THE WITNESS: Yes, it was used as a

comparable.

MR. TANZMAN: Let me ask you this, when you talk about comparables you have to compare, is there in fact a comparable to this property? Is there another piece of property in the State of New Jersey that you could say is comparable to Shepherd Lake? Is there a 75-acre lake with some four hundred seventy some odd acres of land surrounding it that is comparable or is available or has been sold or is anything? Is there something that you can compare this specific property to?

THE WITNESS: Not to my knowledge, not within the last five, ten years.

MR. TANZMAN: So that in appraisal practice, if you don't have an exact comparable, you go to what is next best; is that right?

THE WITNESS: Yes, we endeavor to obtain sales of properties and compare them and find in what way they are comparable.

MR. TANZMAN: You weight them? In other words, you either add or take off as the case may be to come up with a comparable?

THE WITNESS: That is correct.

MR. TANZMAN: When you gave us

those sales that you did give us here, together with the sales that you have in your report, did you rate them or are they as good as Shepherd Lake or are they worse than Shepherd Lake? How did you compensate for the difference? If there isn't a comparable, how did you compensate for the difference?

THE WITNESS: Well, in my opinion, the majority of them were not as good as the Shepherd Lake tract or the land, as set up, would be.

Now, I checked a sale in Green Pond. Now, Green Pond does not sell land, they lease land, but the lessee can sell the lease if he so desires. This land was not as good as the subject property of Shepherd Pond, but the lease was sold on February 1, 1965, and it covered a plot 100 feet on the lake by 200 feet in depth, and it was on Lake End Road. It was sold for \$18,000.00, or \$180.00 a front foot. This was verified by a Mr. Wheeler of Lake End Corporation of Green Pond.

I also checked with Lake Mohawk sales, and their last sale was \$200.00 a front foot for a 100-foot plot.

I endeavored - - in making my appraisal of Greenwood Lake, - - I didn't check these sales when I

mailed you that list. There was a sale dated September 25, 1961. The grantor was Dunn and the grantee was the Gray Steamship Lines. It was Lot 27, in Block 210.

MRS. HIGGINS: Didn't you use this in the Florida Lake appraisal?

THE WITNESS: Yes.

That reflected \$150.00 a front foot after deducting the value of the dwelling which I inspected and felt was worth \$20,000.00.

MRS. HIGGINS: This was an improved lot that you appraised?

THE WITNESS: Yes.

MRS. HIGGINS: Well, we are talking about a raw lot on Shepherd Lake, aren't we? We are talking about a lot where no improvements have been made; isn't that correct?

THE WITNESS: There was no sale of raw land except the sale of Lake Senoma which took place December 20th, 1960, Book N-74, page 506.

Q Which one - - is that cited in your appraisal of Greenwood Lake?

A No, sir.

Q It is not cited any place?

A No, sir.

Q This was a sale that was just recently made that you are talking about?

A December 20th, 1960.

Q But it wasn't set up as one of your comparables in either your appraisal of Shepherd Pone or in your appraisal of Greenwood Lake?

A No, it could not be used because this was an individual small lake of 12 acres surrounded by land of 432 acres, whereas Greenwood Lake, we are only selling off a percentage or appraising a portion of the lake.

Q All right.

Mr. Slotus, you say this couldn't be used because it was a small lake, and yet - - of course, in answer to Mr. Tanzman, the best comparables you could find, beyond this, were the individual lots that you had set forth because you felt there were no other comparables?

A I felt that at the time of my making this appraisal that if a developer came in and developed this land for community development, he would get \$175.00 a front foot.

MR. TANZMAN: This is based upon what?

THE WITNESS: It is based upon the fact that it would be developed as a community lake and he could sell off the lake frontage at that price.

MR. TANZMAN: This is your own judgment and opinion, this is not based upon any comparable?

THE WITNESS: No, sir.

MR. TANZMAN: In other words, what I have been trying to get out, when you took these comparables, at least, in your report, you may have weighed them mentally, I don't know, but in your report you didn't set forth in your process how you arrived at this \$175.00. You evidently just took these and then used your judgment and came up with this \$175.00 a front foot; is that correct?

THE WITNESS: That is correct.

MR. TANZMAN: Let me ask you - -

THE WITNESS: Bearing in mind the overall value of the tract, as I felt, was around \$2,700.00 per acre as a unit. Now, I broke it down to lake frontage and rear acreage for my purposes and for the purpose of the report because I did not no comparable sales which would take in the entire tract of four hundred

some acres.

MR. TANZMAN: But this should have been explained in your report, should it have not?

THE WITNESS: It should have been explained in detail for the satisfaction of the person reading the report, yes.

MR. BATEMAN: Mr. Slotus, may I ask you a couple of questions?

I didn't attend the hearing when you testified before, but I have read your testimony and I have a couple of questions. I hope you won't mind my reducing them to layman's language, because I am the only person on this Panel who isn't, more or less, an expert in the field; but nevertheless - -

MRS. HIGGINS: Thank you for the compliment.

MR. BATEMAN: I sort of agree with Assemblyman Tanzman's statement in regard to your previous testimony, that the crux of the whole appraisal is the value of the lake frontage. I would like to ask you, because this is the area that bothers me the most, do you know of any place in the State or in the east that has no improvement, no nearby town, no good roads, an access

road from another state, that is worth \$2,200.00 for a 125-foot lot in the raw stage? It seems to me, when you get right down to it, - - well, this frontage is something, when you relate it to the size of the lot, which is 125 by 200 that comes out to \$21,875.00 in the raw, it seems to me, as Mr. Tanzman suggested in the last hearing, that the crux is the value of the lake frontage. At that time, sir, you said that the individual sale comparables would probably be higher than the package sales and the comparables, that were just discussed, that you sent to us, none of them approached this kind of cost. I would just like to know how you can justify this price per raw lot in this particular situation.

THE WITNESS: Well, as I said before, lake frontage - - the sale of lake frontage is not always the most important thing, because in Smoke Rise they don't sell lake frontage and their land is valuable.

MRS. HIGGINS: Didn't you base your whole appraised value on the value of the lake frontage sale?

THE WITNESS: That was the approach I used in my report.

MRS. HIGGINS: Well, therefore, we have to follow what you used.

THE WITNESS: Although, in my thinking, my overall thinking of this tract of land, I endeavored to find sales of comparable lakes or tracts of land which were not obtainable.

MRS. HIGGINS: Well, you couldn't find any comparables in that they didn't compare in the price. As Mr. Bateman has pointed out, where in the United States can you find a raw lot of 125 feet by 200 feet that could be given an appraised value of \$21,875.00 without improvements?

THE WITNESS: Well, they are selling - - there is no exact lot that I can put my finger on that is selling for that price because I don't have a sale of that type.

MRS. HIGGINS: Well, in order to use the market data approach in appraisal practices, isn't it necessary to have comparables and have some comparables that are somewhat comparable in value? I think your appraisal is based upon comparables. We try to put it down on the basis of a lot for you, and we came up with the figure and you agreed to it of

\$21,875.00 for the lot, a raw lot, and yet there is no basis for your arriving at that except that you decide, in your judgment, that that is what it was worth. Have you anything to base that on?

THE WITNESS: I decided to use that approach after making a thorough analysis of the area of what land was selling for or did sell for, and what this tract of land could be utilized for, as a community tract with a very good lake. Now, even if they did not sell any lake frontage, but had the use of the lake and all of its facilities, such as the ski run there and the skeet shoot and the club house, all those facilities were made available for the community, I felt that this entire tract should be \$2,700.00 per acre, on an average. I could have made that statement in my report and simplified it. Then I broke it down in my mind as to lake frontage and rear acreage for the purpose of tying it in with certain sales of individual plots.

MRS. HIGGINS: Well, in other words, you were justifying the total price of \$2,700.00 per acre on the basis of the lot value of lake frontage, that's the way you broke it down?

THE WITNESS: That is correct.

MRS. HIGGINS: And in order to do that, you then must justify the figure you arrived at for the plot on the lake and I haven't been able to find out yet how you justify that.

THE WITNESS: Well, the sales, as I stated, which I used - - in checking with brokers up in the area, the sale I used, which was September 25, 1961, was \$150.00 per front foot.

Q Which sale are you referring to?

A That's sale No. 1. I used it in my Greenwood Lake report.

Q Oh.

A That's from Dunn to Gray Steamship Lines.

Q Yes.

A That reflected \$150.00 per front foot.

MRS. HIGGINS: That is improved, though?

THE WITNESS: But I deducted the value of the building. I checked the building.

MRS. HIGGINS: You did deduct it?

THE WITNESS: Yes, I took off \$20,000.00 for the building.

MR. BATEMAN: I don't see any sales that approach the \$175.00 figure that you sent us.

THE WITNESS: Now, these sales in these different lakes - - well, I compared them with the Shepherd Pond Lake because I felt Shepherd Pond is a better lake, it has more possibilities for development.

MR. TANZMAN: But you didn't say that in your report?

THE WITNESS: That is correct.

MR. TANZMAN: You should have said in your report to us that for the reasons as set forth, whatever your reasons were, you should have put that in the report and said why you picked up this higher value.

THE WITNESS: That is correct.

MR. TANZMAN: You should have weighted your sales and given the Department, and, also as it happens now, the Committee the benefit of your thinking and this you did not do in your report; is that correct?

THE WITNESS: That is correct.

MRS. HIGGINS: And, Mr. Slotus, in order to arrive at the value that you received, the normal appraisal practice would be to check into the

topography of the land that would be developed. You said that part of the highest and best value now is land development of the area for individual building lots?

THE WITNESS: Yes.

MRS. HIGGINS: You would have to consider the topography and the cost of improvements to these lots.

THE WITNESS: Yes.

MRS. HIGGINS: Now, when you referred to your comparable of the Greenwood Lake property that you appraised, you said you deducted the improvements, \$20,000.00 for the house, and arrived at a figure of the cost per lot, but you did not give it the consideration of the cost of the other improvement that you have to consider in appraising, and that is, the cost of getting water on the lot, the cost of accessibility to the lot, the road to get in to the lot, the cost of sewerage on the lot - - none of these was considered; is that correct? In other words, when you talk about the raw lot, none of this has been done. You have to consider somewhat the cost of this, and I think, although I am not an expert in this area at all, I think that, perhaps, Mr. Tanzman could answer it, I think he did

before, the cost of improving a lot in that area, roughly speaking, might amount to about \$3,500.00. It's a very hard thing to estimate, but - -

MR. TANZMAN: I was just guessing at it.

MRS. HIGGINS: Well, just guessing at it, but, in any event, you are up now to a value of \$25,000.00 for a lot 125 by 200 feet. Now, as I understand it, normally, when you figure out the house that you are going to put on a piece of land, it usually runs about three times the value of the land itself. I mean, that's the normal way of figuring it; is that correct?

MR. TANZMAN: There is no set rule.

MRS. HIGGINS: No set rule really, but it could be an average.

So that we are thinking in terms of now, if we follow that, houses being built there in the neighborhood of \$75,000.00, that could be, couldn't it?

THE WITNESS: There is no question that it could be. In my opinion, that is a very fine lake and a very fine piece of property for the development of that type of home.

Now, when they purchased 5,000 acres in Smoke

Rise, and you can go and check the prices they are getting at Smoke Rise, \$75,000.00 is nothing for a house.

MRS. HIGGINS: Then, we get into the cost - - I mean, the topography. You've testified that you base this on 6,000 lineal feet. In other words, you've talked about 6,000 feet around the lake.

THE WITNESS: There is, roughly, 8,000 lineal feet, I believe, around the lake.

MRS. HIGGINS: How much of that is included in this property for sale?

THE WITNESS: I figure 6,000 lineal feet of usable land for - - well, if they are going to sell off the lake frontage.

MRS. HIGGINS: You think there is 6,000?

THE WITNESS: That's what I figured in my calculations.

MRS. HIGGINS: Did you make a complete survey of the lake front yourself in coming to this? Did you walk around it? Did you check it?

THE WITNESS: I walked around a large portion of it.

MRS. HIGGINS: Have you checked

the topography map in any way of the area?

THE WITNESS: Yes.

MRS. HIGGINS: Are you familiar with the topography then of the area?

THE WITNESS: Yes.

MRS. HIGGINS: And you would say that 100% of the 6,000 feet could be built upon?

THE WITNESS: I assume, approximately, it could be, yes. It could be utilized because it is high. If they want to put out boathouses, they don't necessarily have to be a lake level. Usually they build a boathouse up above the lake level.

MRS. HIGGINS: Isn't it true that there is quite an area of that lake frontage that is high and upon which it is impossible to build, the lake front itself, with an accessible road behind it. The only feasible way of doing it would be to have the road on the lake front and the house would have to be behind the lake front, close to the road.

THE WITNESS: Yes.

MRS. HIGGINS: And it is rocky?

THE WITNESS: There are high areas that will cause some problems.

MR. HIGGINS: And it is rock?

THE WITNESS: The whole area is
rock.

MRS. HIGGINS: Wouldn't that then
be taken into consideration as additional cost for the
improvement?

THE WITNESS: Well, I considered
that.

MRS. HIGGINS: Shouldn't that
have been in your appraisal, the cost of the improvement?

THE WITNESS: No. I considered
that in arriving at my overall average per acre of this
tract of land.

MR. BATEMAN: One of the persons
who testified before said that over 40% of the total
amount of land was undevelopable. Would you like to
comment on that? Do you think that over 40% of the
land is undevelopable?

THE WITNESS: Well, I think he
is high. I don't think it runs quite that high.

MR. BATEMAN: How much do you
think is undevelopable?

THE WITNESS: If he is talking

about 40%, he must be considering the northern end.

MR. BATEMAN: He is considering the entire tract of land, that was his testimony, between 40 and 50% was undevelopable.

THE WITNESS: Well, I disagree with him. I don't feel that 40% of the tract is undevelopable.

MR. BATEMAN: He said that 40% of the land was undevelopable because of rock, because of inaccessibility, because of topography - -

THE WITNESS: No, rock is no hindrance to developing houses. He can always get through. They are developing many lake tracts with rock and heavy trees and hilly areas.

MR. BATEMAN: I was talking about the entire tract.

THE WITNESS: I don't feel that it is that high. It might be 15%, 10 or 15%, that's about all, based upon my calculation.

Q Mr. Slotus, we've talked at some length here about comparables because this was the most important thing, apparently, here. Now, am I right in saying that the only comparable of any type that you set forth in your

report on Shepherd Pond - -

MRS. HIGGINS: In his appraisal.

Q In your appraisal, was that of this Greenwood Lake property that we referred to; is that correct? You say in your appraisal that this sale is very comparable as to being a large tract with frontage on a large lake?

A Yes, although I had the sale of Lake Senoma, but it is only a 12-acre lake.

Q But this is the one here that you had indicated and this is an appraisal that you made, this Greenwood Lake appraisal was one that you made previously?

A That is correct.

Q Would you, and I don't like to characterize it, but wouldn't this be like building a pyramid of some sort? If you appraise something at \$400,000.00, or whatever you might, and use that the next time to arrive at a basis for something else at \$800,000.00? I am just using figures now.

A Well, that doesn't necessarily say that I am building a pyramid. I appraised the Shepherd Pond at a million, six, and someone else appraised it at a million, three, and it was purchased for a million, three. It might show, quite possibly, that I might be a little low or I

might be a little high, it would all depend on the seller, what he wants to sell it for or what he wants to do with it, because I appraised Greenwood Lake for the price I did doesn't mean that the seller wanted to sell it for that.

Q All right, but the fact is the sale of the Florida -- the Greenwood Lake property, took place to the State of New Jersey at approximately \$400,000.00, \$398,000.00; is that correct?

A Yes.

Q And that this was a sale that you used in your appraisal of the Shepherd Pond as the most comparable piece of land?

A Because it was on a large lake.

Q All right.

A (continuing) -- The land --

MR. TANZMAN: Let me follow you through for a moment, your appraisal on Greenwood Lake, as I have it here, is for \$92,000.00; is that correct?

THE WITNESS: Somewhere in that vicinity.

MR. TANZMAN: So that the State did not pay for the property what you appraised it for,

they bought it for 20% less?

MR. FERRARA: Yes, that is right.

MR. TANZMAN: Is that correct?

THE WITNESS: I don't know the exact price they paid for the property.

MR. TANZMAN: Now, in your appraisal of Greenwood Lake, you used the same approach, that is, the lake frontage, and in that instance, you take \$135.00 a front foot.

THE WITNESS: Yes.

MR. TANZMAN: Am I to assume from that that Greenwood Lake is inferior to Shepherd Lake?

THE WITNESS: Definitely, this portion of Greenwood Lake is definitely inferior.

MRS. HIGGINS: In what respect?

THE WITNESS: Because of the water, the depth of the water. The fact that it is at the southern tip of the lake. It is not a complete lake within a tract of land such as Shepherd Lake. It could not be developed as an individual community such as Shepherd Lake could be. I feel that due to the fact that the body of water at Shepherd Lake is so good, and

the community could be within itself, it warranted a great deal more money.

Q Mr. Slotus, as long as we had mentioned the Greenwood Lake property, the only comparables, even in that appraisal, as to acreage sales, was one - - well, there was one at \$1,000.00 an acre where an individual single lot sold for \$10,000.00, and, as I see it, there is one for \$400.00 an acre. These are the only acreage sales as set forth in your Greenwood Lake appraisal, but there is still nothing nearing anything like \$2,700.00 an acre which is the Shepherd Pond figure; is that correct?

A That is correct.

Q All right.

Now, let me - -

MR. TANZMAN: Let me ask him one other thing as long as we are on this.

As long as you didn't have comparables, and evidently you are unable to find comparables, wasn't it incumbent upon you, in your report, to set forth - - to set that forth and to say that there are no comparables exactly like this and use this basis of your reasoning?

THE WITNESS: The comparables insofar as acreage is concerned? Well, for that matter,

any type of comparable, if you can't find property which is comparable, to the property you are appraising, and you have to take other properties, which I did, there should be an explanation as to why I used them and how I arrived at my thinking.

MRS. HIGGINS: Well, of course, the area - - in arriving at an appraisal, don't you also have to take into consideration neighborhood data and the fact that that whole neighborhood, that whole area is a lake area and there certainly have been comparable sales of lake frontage, we had evidence of some, some you had given us, but the only difference is that you couldn't find any that would compare in this same price. There are certainly comparable areas, it's a lake region, there have been many land sales in that area, particularly lately, and certainly, you have been able to give us, and we do have them, lot comparables on lake fronts, but none of them seem to - ~~none~~ of your per acre comparables come to the same type of conclusion, that is, \$2,700.00. They don't compare in price.

THE WITNESS: There are no comparables which are comparable to the Shepherd Pond Lake property which is a unit by itself with its own 75-acre

lake on a fine body of water with all facilities to be developed as a community or to be utilized as a resort. There are no such properties in Greenwood, West Milford or anywhere else in the northern part of New Jersey that I know of which have not been purchased sometime back.

MR. TANZMAN: And that is shown in your report?

THE WITNESS: That is correct.

Q Now, if I may go on to another area here, we are talking slightly about comparables, but the last time you testified we asked - - there were some questions asked as to the effect that - - isn't the purchase price that a person pays for a piece of land, which he is ultimately going to sell, - - that he is selling, that is being appraised, isn't that something that should be considered but certainly does not necessarily set the value? Isn't the purchase price something that an appraiser should be aware of, that is, the purchase price to the person who is now selling?

A The purchase price should be considered because it usually should reflect the market, but not always, it doesn't always reflect the market.

Q Of course not.

A A man could be given the property or he could get it very cheap or reasonable.

Q Now, in that regard, Mr. Slotus, when you were testifying last time, in part, you felt that it was a little short on time for you to gather some of the information, you indicated that the purchase price, as I understood it, was around \$1 million; is that correct?

A I believe that is the information I had, yes.

Q You indicated something like \$825.00 - - \$825,000.00 plus something like \$200,00.00 of improvements, which Mr. Wilson told you he had put into the property; isn't that correct? Mr. Wilson being the owner of the property.

A The Greenwood, that is correct.

Q All right.

You also indicated that in arriving at that million dollars you took into consideration the revenue stamps on the deed, and I believe you indicated that the revenue stamps indicated a purchase price, and if I am incorrect, please correct me, of \$825,000.00?

A That is correct.

Q Now, did you look at the actual deed?

A No, sir.

Q All right.

Would it make any difference - - let me change it this way, would it make any difference to you if I were to show you this deed which came into my hands since the last hearing, and the revenue stamps on the deed only amount to a purchase price of \$250,000.00?

A The information which I received - - I believe I stated last time that there was a second mortgage on the property of \$225,000.00. There was \$825,000.00 paid, plus the second mortgage, which gave over a million dollars, that's the information I received. The price paid or what he put into it did not affect my evaluation of the property.

Q From whom did you receive the information that you just gave us?

A This was received from a Mr. William H. Wilson.

Q Who was the owner of the property?

A Yes.

Q But you didn't feel it was necessary to go down and check the county records at all as far as the mortgages or deeds or anything of that sort go?

A Well, the price paid or what a man paid for the property,

while it has a bearing, I went out to try to endeavor, in my own mind, a value based upon the market.

Q All right.

You do indicate, however, that it is a factor that should be considered in arriving at your value?

A I think - - I always try to find out if a piece of property sold, what it was sold for, if it sold within a short period of time prior to the appraisal, but if it was sold many years back I wouldn't even bother with it.

Q This sale did take place within a year or a year and a half, didn't it?

A That is correct.

MR. TANZMAN: Isn't it also a fact that in addition to knowing the actual considerations are you have to find out what the facts are surrounding the sale? Isn't it important to find out whether or not there was distress involved? Isn't it important to find out whether or not an owner is under duress? In some instances, because of his distress, the sale may be far too low or a tenant might be under duress where he has to buy and pay more than he should because of certain circumstances existing? Isn't it important to find out what the circumstances are in addition to the bare facts

of the sale? Shouldn't it be weighed in coming up with your conclusion as well?

THE WITNESS: Well, they are major factors. Any sale, when it is analyzed, you should find out if it is an arm's length transaction.

MR. TANZMAN: And was there duress, in fact, with the sale of the Greenwood Country Club to Wilson? Weren't they in trouble? Shouldn't this have been analyzed by you as part of the background in this thing? Maybe the sale by Greenwood to Wilson was not, in fact, the true value.

THE WITNESS: I did not use the sale. I did not use the sale of Greenwood to Wilson. I went out into the market to try and determine in my opinion what the fair market value of this tract was.

MR. TANZMAN: In other words, you disregarded all of these, whether or not they paid \$500,000.00 or \$2 million for the property, you were not particular concerned?

THE WITNESS: That is correct.

Q This is so, Mr. Slotus, even though all of the factors Mr. Tanzman has set forth are factors to be considered and what weight you would give to it, but you should know

what the purchase price is, then, you decide what weight to give to it in your appraisal; is that correct?

A Not necessarily. If I use it as a sale, then, I should know all the facts about that sale.

Q I don't want you to use it as a sale, Mr. Slotus - -

A (continuing) - - The property was sold in a short period of time before my making the appraisal. I was given information at that time as to the price paid and the mortgage and so forth which I was interested in knowing, but then, I went out into the market and tried to determine whether it would be the fair price for this property, and I decided in my own opinion what the value was.

Q All right, Mr. Slotus, also in your - - I would like to get this clarified, there seems to be a little discrepancy in it, and this is another reason, as I say, we wanted to speak to you, in previous testimony there was some confusion as to how many miles of road were included in the property which you were appraising.

Now, you've indicated the last time, at first you thought that there were five miles of road on the subject property, then, upon questioning, you indicated that included the public road that came in down from New

York State that wasn't necessarily on the property; is that correct?

A That is correct.

Q There is no question now about - - I guess there is no question about the fact that there isn't five miles of road in the relationship that you used it in your appraisal of paved roads on the subject property itself?

A No, I don't think so. I didn't go out and measure the roads, I drove on the roads, but I believe it includes some of the roads going out to the main road in New York.

MR. TANZMAN: How much of this do you think was on the property?

THE WITNESS: Oh, I would say, there is two or three miles, I believe.

Q Of paved, we are talking about paved.

A That is correct.

MRS. HIGGINS: You had originally testified that there were five miles of paved road.

THE WITNESS: Yes.

Q Let me direct your attention to one other area that lends some confusion to us also.

When you testified the last time, you indicated

that the Shelton College, which owned the adjoining property - - in fact, as I understand it, and maybe you can tell us, was this, at one time, Shelton College and Shepherd Pond, was this, way back, one large parcel of land?

A I wouldn't know. I didn't check it. I also mentioned at the last meeting that the Borough of Ringwood passed an ordinance to purchase 16 acres of land to be used for the Board of Education which they were paying \$2,300.00 per acre for with no water facilities.

Q This was after your appraisal and after the sale to the State?

A That is correct.

Q So that, in effect, your appraisal was establishing a market or the sale was establishing a market that, in this case, found the Borough of Ringwood being forced to pay the higher amount of money for the land?

A The reason we mentioned this sale is because it confirms my thinking at the time of making my appraisal, and having knowledge of what is happening in West Milford and Ringwood, I feel that the land values, and even at the present time I am still checking the area, we have sales - - well, people are requesting or asking \$4,400.00

per acre for land without water facilities. In making an appraisal of a piece of property we have to, sometimes, extend our thinking to what value will be or is going to be, not just what it is at that moment.

Q Of course, there is no question, Mr. Slotus, that before the State came in to buy Shepherd Pond, none of the values of land in that area were carrying anywhere near \$2,700.00 an acre of land; is that correct?

A Yes, because they were not comparable to Shepherd Lake.

Q And, in fact, isn't the Shelton College - - isn't it a fact that the Shelton College land, which might be referred to, as I have gone over portions of this land, the lowland or farm portion of a very large tract of land, isn't it a fact that the Shelton College was offering to sell that land at a thousand dollars an acre? You indicated that, I believe, in your testimony the last time.

A Certain portions of land they were offering at a thousand dollars an acre because they were destitute, they were in very poor financial condition, in fact, even at the present time I understand they are out of business.

MR. TANZMAN: Did they have a 75-acre lake on any of the part that was for sale?

THE WITNESS: No.

MR. TANZMAN: Was there any
lake, any size?

THE WITNESS: Not as big as
Shepherd Lake.

MR. TANZMAN: So that it wasn't
comparable either?

MRS. HIGGINS: Well, it was
comparable in that there were lakes on it.

MR. TANZMAN: Well, it was only
a listing and listings are not evidential.

MR. FERRARA: Wait a moment, wait
a moment - -

MR. TANZMAN: Well - -

MR. FERRARA: May I, just for the
sake of this question - -

MR. TANZMAN: I don't think that
is fair.

MR. FERRARA: Mr. Chairman, believe
me, I am only looking at Mr. Slotus' - -

MR. TANZMAN: That is not a fair
question.

MR. FERRARA: I am looking at Mr.

Slotus' testimony. Mr. Slotus said that so far as Shelton College was concerned, they have been more or less wanting to dispose of their land for a long period of time.

The next question was: "At how much per acre, do you know?"

The answer was: "Well, if you bought the entire tract, which was very large, I think it was going at \$1,000.00 an acre."

Now, believe me, my only point in asking the question was that you had set this forth and it has given me confusion. If this acreage of Shelton College was being offered at a thousand dollars an acre, and this was relatively flat land compared to Shepherd Pond, isn't that a factor, a comparable factor that has to be considered? Now, this is an offer to sell as distinguished from an offer to buy.

Q What do you have to say as to that, Mr. Slotus?

MR. SLOTUS: Not necessarily, because they were interested in selling not the buildings - -

Q That's right.

A (continuing) - - that higher land up on top, and they had a small body of water up there, but they were selling,

if they could sell it off, at a thousand because they needed the money.

Q All right.

4 Did they have any access or right to use Shepherd Pond?

A No, not to my knowledge. The roads going through Shelton College go into Shepherd Lake.

Q In fact, you can't get to Shepherd Pond from New Jersey without going through Shelton College?

A That is correct.

Q That's the reason I asked you the question. I believe at one time this was an overall, large single piece of land.

A Yes.

Q Now, would you say, and I think you did answer this before, I've put a map on the back of the room just for the sake of anyone who is not familiar with the area because many of us are from other parts of the State, would you say that this northern part of New Jersey, it being part of Bergen, Passaic, and, also, I guess it is Sussex County up there, or maybe it is Morris County, would generally be described as lake country? You know, in a general sense.

A There are a great many lakes up there, but we are looking forward to Passaic County as that portion of the country to become heavily industrialized. A great many people are moving out there in that development. Just because it is lake country and there are a lot of resorts - - I think it is going to be developed into industry and permanent residences, that's the trend.

MRS. HIGGINS: To get back to the development you just did on the value of land in that area, and you mentioned this school property, and Mr. Ferrara pointed out that this was purchased after the State had purchased Thunder Mountain for \$2,500.00 an acre, I have before me a copy of the New York Times of yesterday, and an ad in it for property in Greenwood, "Lake front, hundred and fifty foot on road, 175 foot to the water. 350 feet water front. Assessed at \$9,000.00." So, I called up the number listed and asked what the price was now. The assessed value as listed in the ad was \$9,000.00 for this lot, and the owner will take \$8,000.00, so, all of the area and land front has not been, necessarily, raised, has it?

THE WITNESS: Where is it?

MRS. HIGGINS: It is in Ringwood.

THE WITNESS: What part of Ringwood?

MRS. HIGGINS: Skyline Lake.

THE WITNESS: Well, that's a very small lake. It could be a very steep tract that the man couldn't turn over at that price.

MRS. HIGGINS: In other words, you now say that you should look into the topography of the land, as I pointed out with Shepherd Lake?

THE WITNESS: Definitely.

MRS. HIGGINS: There are some lots that would be a little more difficult to build on?

THE WITNESS: That is correct.

MRS. HIGGINS: And that would determine the value of that lot?

THE WITNESS: When you're selling lake frontage, definitely.

MRS. HIGGINS: Well, that's exactly the point I wanted to make. In other words, in Shepherd Pond, we should also take into consideration the cost of building on each lot?

THE WITNESS: I took - -

MRS. HIGGINS: And some of them - -

THE WITNESS: I took into consideration the contours, the topography and everything else as an overall project for a community development and resort area. Now, some sections of the development wouldn't be as expensive to develop as others, but it is an overall project.

Q Well, just one last question, Mr. Slotus, from my point of view, using that last statement of yours that some areas would have an overall or greater development cost, if you were to apply an acreage value to the lake frontage as distinguished from front foot - - if you were to use an acreage value, of course, if a lot was at \$20,000.00 for a lot which was less than a half acre, that would mean an acre of land on the lake front would go for forty or fifty thousand dollars; is that correct?

A Well, you don't figure it the way you stated it. You would figure it the way Lake Senoma was sold, which was 432 acres, which include a 12-acre lake. It was sold at a basis of \$1,500.00 per acre, overall, and this property is definitely not comparable to Shepherd Pond - -

Q Unfortunately - -

A (continuing) - - because of the body of water.

Q Unfortunately, Mr. Slotus, we had no knowledge - - we

never received - - we had no information of Lake Senoma other than the things you mentioned here this morning.

A Well, I considered it when I made the appraisal of Greenwood Lake, but I did not put it in my report because it was a small body of water against Greenwood Lake.

Q You didn't include it in any of your other comparables, either the Greenwood Lake or Shepherd Pond?

A That is correct.

MR. FERRARA: I have no further questions, Madam Chairman.

MR. BATEMAN: I have just one question, or a couple.

As I re-read the testimony I ran across a conflict in testimony and it only bothers me because it is a conflict.

In your testimony you said you had talked, during the course of your appraisal, with Mr. Wilson. Mr. Wilson's testimony - - well, he said he had never met any appraisers. I wonder whether or not you did talk to Mr. Wilson during your appraisal work?

THE WITNESS: Well, he was on the premises when I inspected the plot.

MR. BATEMAN: And you talked to

him?

THE WITNESS: I had words with him and asked him questions.

MR. BATEMAN: How many times did you run into Mr. Wilson?

THE WITNESS: I believe it was only once.

MR. BATEMAN: Thank you.

MR. TANZMAN: Did you tell him who you were?

THE WITNESS: Yes.

MR. TANZMAN: He knew you were an appraiser?

THE WITNESS: That is correct, one of them. I guess it was during the period when there was no activity up there. Maybe he didn't remember me.

MR. TANZMAN: I have nothing further.

MR. FERRARA: Let me ask just one other question.

Did you ever speak to Mr. Waring in regard to either the appraisal of this property or the appraisal

of the Greenwood Lake property?

Mr. Waring, just for the sake of the record here, is an owner of the Ringwood Company, which was the previous owner of this Shepherd Pond property.

THE WITNESS: I never met Mr. Waring. I checked the sales between the Ringwood Company and the people who bought from them.

MR. FERRARA: You would use some of the comparables of the Ringwood Company?

THE WITNESS: Well, most of their sales were in '64, all that land was leased and they started selling the leases to the land to the lessee.

MR. FERRARA: All right.

I have no further questions.

MRS. HIGGINS: Mr. Slotus, thank you very much for coming here today.

We will take a short recess.

(Whereupon a short recess was taken)

MRS. HIGGINS: Mr. Stanley, our apologies for keeping you waiting, and thank you for being on time. As you know, we were late in getting started because we were awaiting the arrival of two of our members.

Mr. Stanley, would you raise your right hand and be sworn.

H A R R Y M. S T A N L E Y, called as a witness, being first duly sworn, testified as follows:

MRS. HIGGINS: Thank you, Mr. Stanley.

Mr. Ferrara, would you like to take over?

MR. FERRARA: Thank you, Madam Chairman.

BY MR. FERRARA:

Q Mr. Stanley - -

MR. TANZMAN: His qualifications, please.

MR. FERRARA: Yes.

Q Mr. Stanley, I think we ought to have, once again, the qualifications, in a general sense, that you previously gave us, for the sake of the record.

A My name is Harry M. Stanley, I am employed by John Weiss and Company in Wayne, New Jersey.

I have been in the real estate business for nineteen years, most of that time as a real estate broker.

I have been acting as a real estate fee appraiser in excess of ten years.

I am, presently, Treasurer of the Passaic County Board of Realtors.

I have lectured on appraisal techniques for the Education Committee of the New Jersey Association of Real Estate Boards.

I have appraised for the New Jersey Highway Authority in acquisition of properties for the right-of-way of the Garden State Parkway.

I have appraised for the New Jersey State Highway Department in acquisition of highway right-of-way for the U. S. Route 80.

I have appraised properties for the Township of Wayne, the Wayne Township Board of Education, the Township of West Milford, various corporations such as the General Motors Corporation, Ford Motor Company, American Cyanamid Company, Western Electric and numerous others in addition to the New Jersey Department of Economic Development.

Q All right.

Mr. Stanley, your last item of qualifications, was that you had made appraisals for the Department of Conservation here?

A Yes.

Q Could you tell this Committee what appraisals you have made for the Department?

A Yes.

Yes, I have appraised the Lake Wawayanda tract, and - -

Q Lake what?

A Lake Wawayanda, W-a-w-a-y-a-n-d-a.

Q Right.

A (continuing) - - Up in Sussex County, mostly in Sussex County. An additional appraisal called the Fancher tract, which was - -

Q What was that one?

A Fancher, F-a-n-c-h-e-r.

I have appraised the Green Engineering property in Ringwood, which is west of the Shelton College property, and west also of the Shepherd Lake property that is in question today.

More recently, I have appraised the property of, I think it is Fred Waring, I am not sure whether it is the Ringwood Company or Fred Waring, at the Owasing Area of Greenwood Lake.

Q Now, this last piece you mentioned, Fred Waring, how large a piece of land is that; do you recall?

A The last one?

Q Just for identification, because Mr. Waring owns extensive land up there.

MRS. HIGGINS: Owasing?

A Oh, the Owasing area of Greenwood Lake. Let me see if I can find that here. I don't seem to have the map, but it was large enough to provide two building plots, one on Greenwood Lake, and one on the opposite side of Board Road.

Q Now, in making your appraisal of the subject property here of Thunder Mountain, Mr. Stanley, you indicated that the highest and best use was a resort and residential development. I want to use your words, just so I don't misquote you, I believe it is resort and residential purposes of a, I believe you said, a high community or executive type community; is that correct?

A That's right.

Q Now, the previous appraiser indicated that the present use of it was a recreation area, and that's the same as your knowledge, of course, of the present use?

A That's right.

Q But in arriving at this highest and best use, was it necessary for you to - - what basis did you use for

making your appraisal?

A First, in appraising a property, any property, and particularly one of this sort, the first thing the appraiser must do is determine what the highest and best use of this property would be. In other words, what logical use could be made of this property based on its present zoning, and possibly, any possible variations of the zoning if there is any evidence that would indicate that. What highest and best use would bring to the owner the highest amount of the market, the highest amount of money.

Q What was its present zoning?

A The present zoning of the property is resort, C-3.

Q And what did that permit?

A Well, the resort C-3 zoning permitted, in addition to the erection of single-family dwellings as would be allowed under straight residential zoning, a minimum plot of 25,000 square feet. It also allowed for the erection of motels, resort hotels, private clubs, for seasonal occupancy, dining rooms, luncheonette, cocktail lounges, gift shops, driving ranges and other facilities which would be attendant to the seasonal facilities.

Q Now, you say a minimum plot of 25,000 square feet?

A A minimum building plot of 25,000 square feet, yes.

Q Well, I was under the impression, because of the calculations that were made before, of 125 feet by 150 feet in depth?

A No, it was a 200-foot depth.

Q Oh, okay. I was making the mistake. It is 25,000 square feet.

A Yes.

Q Now, in this use of resort residence, I believe that was your type language, do you have to take into consideration or did you take into consideration that the only access from this property, public access, was from New York State?

A Yes, I did.

Q And in doing that, did you, as an expert, take into consideration the problems of a developer in subdividing this property into building plots which would allow for the highest and best use of the land?

A I am not sure that I understand that there are any additional problems.

Q I am sorry that I used the word "problems", I think I should have correctly said what steps the developer would have to take.

- A Yes, I considered that the road to the property entered from the northwest, the Sloatsburg Road, yes. I gave that consideration, yes.
- Q And in doing this - - and in obtaining the subdivision from the municipality, you felt that - - you did take into consideration, rather, that the municipality would be able to give a subdivision approval even if there was no access from New Jersey?
- A It was my opinion that there could be no reason for not granting subdivision approval here.
- Q It wouldn't be necessary for police cars or emergency equipment or garbage collection trucks, if they had any such thing, to come in only through the borough property, property within the borough?
- A Police protection and fire protection could have access to the property from Sloatsburg Road and the Shepherd Lake Road, there would be no problem there.
- Q Those roads are in New York?
- A Portions of it, yes. Sloatsburg Road starts in Ringwood, and goes up into a small portion of New York State, then, comes back down as - - rather, Shepherd Lake Road comes down from there.

MRS. HIGGINS: When you say "a

small portion," are we referring to about a mile?

THE WITNESS: I'd better refer to a map. I recall we had asked that question before, and I had answered it.

MR. FERRARA: I think it is a mile and a half.

THE WITNESS: It probably would be at least a mile of road in New York State. As I recall the last time, it was something in excess of a mile of road that would have to be transversed into New York State in order to get into the subject property.

Q Let me ask you this this way, because there has been so much confusion on this road situation, is there any point - - let's take the point of Shepherd Pond itself, the club house where it is presently located, would you have any idea of how many miles it would take - - how many miles would be involved running from that point, on public roads, back into Ringwood wherever the Borough Hall might be located. Now, that might not be a fair test, but where the emergency equipment might come from.

A I have no idea, and with the maps we have here it would be strictly an unqualified guess. I don't see where it is germane to this thing, that is, how far the Borough

Hall is from the property, but I couldn't even guess at it.

Q I mean the emergency equipment. What I am getting at is the emergency equipment. Are we talking a mile and a half or are we talking something more?

A I couldn't tell you that.

Q All right.

In taking into consideration the resort and residential use of the individual lots that we are talking about, did you take into consideration the improvements that would be necessary to get this highest and best use?

A Yes, I did.

Q And those improvements would be over and above your appraised value of the land as it is now; is that correct?

A To get the ultimate complete use of the property as a fully developed property, yes, these improvements would have to be brought in.

Q Let me ask you this, Mr. Stanley, am I correct in saying that in making an appraisal you take the highest and best use of the land, and then, you bring it down, if you will, to its present state to get its present value?

A Not necessarily, this is one method of arriving at a present day market value, but it is not the only method, it is not a general practice either.

Q It is not?

A No, it isn't.

Q In other words, if the highest and best use was resort and residential, and you took a figure of whatever it might be, that figure would be the land in its present use before you would get the highest and best use?

A The highest and best use - - I think the phrase, here again, is being played around with. The highest and best use is the use - - the ultimate future use of the property by the present owner, which would reflect to the seller, right now, the highest of money in a sale.

The highest and best use is not the use to which it would be at the time of a sale, but the use to which it would ultimately be developed. The value we are predicating now is the future worth - - excuse me, the present worth of future benefits. Now, the future benefits would be of greater magnitude once the proper is completely developed, but to take a property of this size and determine what it will ultimately be in its final state, including the number of roads, number of

building plots, number of other facilities, and then, subtract that from the cost of doing it, this would be a prohibitive undertaking and I don't think anyone would be qualified to do that.

Q Then, in actuality, Mr. Stanley, when we are talking about this highest and best use we are not really talking about the value that the ultimate future will bring of this property, we are talking about its present day value?

A That's right, present day market value.

Q And the present day market value you indicated in this little discourse here for a moment, that this was something a person would have to take into consideration, that he would pay for the land with the ultimate use that he had in mind?

A That's right.

Q So that if the purchaser here - - if the highest and best use of this property was for land development, and the purchaser was a developer, he would have to say, "The price of this land, as I appraise it, - -" in your instance here of \$1,330,000, "and on top of that I have to make certain improvements." Is that correct?

A In other words, you are saying what the potential pur-

chaser would say to himself?

Q Yes.

A Yes, he would have to determine that in addition to the one million, three hundred some odd thousand dollars that he was paying for it now, he would have to undergo the expense of improvements to bring out of the property his investment; that's right.

MRS. HIGGINS: He would have to bring in, for the individual plots, water, sewerage - -

THE WITNESS: Possibly not, no; it is not required. The requirements here would be to put in paved roads for the areas that he was developing as he developed them, and, also, electricity; this is all his requirement would be. Now, as far as water is concerned, the water could be water - - water would be brought in for each plot by a well. It would be a bit of a problem to put in a municipal water system there. They would probably rely on wells there. There is no requirement for sanitary sewers in that area.

MRS. HIGGINS: But the individual who purchased the lot on the basis of having it developed, and this was what you had intimated as part of your consideration of the highest and best use, that is, the

development of homes - -

THE WITNESS: That's right.

MRS. HIGGINS: - - would have to have water and sewerage brought in?

THE WITNESS: Not sewers, no.

MRS. HIGGINS: Well, some sort of disposal system would have to be made available; is that not right?

THE WITNESS: Yes, there would be septic systems installed in the property.

MRS. HIGGINS: And that would be a cost in the development of these plots?

THE WITNESS: Not to the developer. The developer is not concerned with the sanitary system of the property. He could subdivide the property into individual building plots which he could sell off, and he would not in any way be involved in the sanitary system at all.

MRS. HIGGINS: But the individual plots to be developed would have to have sewerage and water?

THE WITNESS: Yes, the purchaser, as part of his building cost, would have to install a

septic system.

MRS. HIGGINS: Which would be a cost of improvement and it is also one of the methods in arriving at an appraised value; is that correct?

THE WITNESS: No, this would not be considered. I can't see where it would be considered.

MRS. HIGGINS: It wouldn't be considered?

THE WITNESS: No, this is not a cost that would accrue to the developer of the property necessarily, unless, in addition to being the developer, they are also the builder. This would not be considered in making an appraisal, no.

MRS. HIGGINS: Your whole appraisal was based on the fact that you felt that this would be a high caliber resort area with executive type homes; is that correct?

THE WITNESS: That is right.

MRS. HIGGINS: There would be executive type homes erected on this property?

THE WITNESS: That's right.

MRS. HIGGINS: On individual lots?

THE WITNESS: That's right.

MRS. HIGGINS: And as I remember, your appraised value was \$125.00 a front foot on the lake frontage?

THE WITNESS: That's right.

MRS. HIGGINS: And we had worked that out to mean a cost of about \$15,000.00 a lot; is that right?

THE WITNESS: That's right, in the raw.

MRS. HIGGINS: In the raw?

THE WITNESS: That's right.

MRS. HIGGINS: I was only trying to determine what you felt, and if you did take into consideration, what that price would be as an improved lot. \$15,000.00 in the raw, but with the additional expenses of putting in the septic tank and the water, this would add to the cost of that lot and, also, the accessibility by a road which would, of necessity, because of the testimony we've had and you've given, that roads would have to be put in, would add to the cost. I was trying to determine what the actual cost of a lot to a potential buyer of a lot would be, and I think this is the way you have to go about it.

THE WITNESS: The finished cost of a lot, that is, the cost of the lot in a salable state, would have to be considered based upon what the cost in the raw to purchase was, and what it would cost to bring in a satisfactory road to the property, and, probably, some storm drains to carry off surface water, the electric lines, then, you would have your finished lot and it may be that the developer of the property wouldn't build any houses or maybe just a certain amount such as in your urban farms area where you have a variety of builders who are acceptable to urban farms. The purchaser purchases his own lot, at a prohibitive price I might say, then undertakes the problem of installing on that property a dwelling, which dwelling includes a septic system.

MRS. HIGGINS: I was only asking for the information as it pertains to Shepherd Pond - -

THE WITNESS: It would be the same.

MRS. HIGGINS: And your own appraisal of it based on your saying that you felt that this should be - - the best use would be for the executive type home and a community of executive type homes, so therefore, the question is germane, and that is, what

would you consider the additional cost would be for the lot in the raw with the improvements?

THE WITNESS: Well, it is my opinion that it would cost, possibly, an additional \$20.00 a foot to bring - - to improve the road to an acceptable state there, curbing, sidewalks and gutters are not required there at present, however, that could change, too. I would say that a road, probably, could be brought in for about \$20.00 a lineal foot. Now, if you will take half of that cost and apply it to the lake side of the property, it is conceivable that an additional \$1,500.00 per plot might be attached to the \$15,000.00.

MRS. HIGGINS: For the cost of the accessible road?

THE WITNESS: That is correct.

MRS. HIGGINS: Now, what about the water? I only want a rough estimate.

THE WITNESS: Well, you're asking me - -

MRS. HIGGINS: Since you're doing it on the basis of each item, would you say \$3,500.00 might be a fair total?

THE WITNESS: I couldn't say.

And I will tell you why, we covered this the last time, but I guess it bears covering again. No one can say what the cost of water is going to cost on the individual property.

MRS. HIGGINS: That is true, particularly where there is rock and so forth.

THE WITNESS: We do have property, which, apparently, would have a fairly high water table, being adjacent to a natural lake, and it is likely that water could be struck at a relatively high level, but no one can say that. If I were to say that, in my opinion, an average of a thousand dollars per lot would be attributable to each plot, I might be on either the high side or the low side. Nevertheless, assuming a thousand dollars as a round figure, it might cost an additional \$2,500.00 to create an improved, salable property which would make each lot - -

MRS. HIGGINS: How about the cost of the septic tank?

THE WITNESS: You can't add that because that is in the cost of building. You wouldn't add the cost of the garage to the improved property, and - -

MRS. HIGGINS: I see. In other words - - I think you are perfectly correct, that would be an additional cost to the building.

THE WITNESS: That's a building cost.

Q Mr. Stanley - -

MR. BATEMAN: I am concerned, sir, about what is the highest and best use. You have a motel here, you have a skeet shoot, a public ski area, and I question whether this is completely conducive to what you are describing here as these executive type homes. I am wondering whether anyone but a benevolent state would pay a half a million dollars for 6,000 feet of raw lake frontage with a skeet shoot with a 20-year lease sitting just over the hill. I am wondering whether, in the raw, this is justifiable.

THE WITNESS: I would question it, too, if that is all you were purchasing. If all we were purchasing were the resort area and the 4,000 lineal feet of road frontage at half a million dollars, I would say we would be somewhat less than intelligent, but we are not buying just that, this is the cream of what we are buying. What we would be buying would be an additional

four hundred and some acres of land at a greatly reduced price, on which land we could start our development, and on which land the greater portion of the development would happen. We would probably start the development on the land side of the peripheral road and work inland from that and, occasionally, we would sell an executive home on the lake. These wouldn't go very quickly, I assure you, but as far as their being suitable for mansion type or executive type homes, they are, because they are not sufficiently close to the resort area where they would not be buffered. If you will notice the peripheral road, it starts off pretty narrow at the southeast - - excuse me, southwesterly part of the lake, and that part of the road frontage I didn't consider as usable road frontage. Actually, the start of the executive homes would be several feet up from the nearest resort facility, but these resort facilities would be an added inducement for someone building there because he wouldn't have to worry about his children traveling to Green Lake or some other area to get their pleasure, they could get their pleasure right within the confines of their own community. This is the reason I believe it is ideally suited for an executive type club community.

MRS. HIGGINS: Mr. Stanley, we have referred to the skeet shoot. Did you take into consideration the restrictions on the land when you made your appraisal?

THE WITNESS: I weighed them. I didn't consider them financially or arithmetically.

MRS. HIGGINS: Were you aware of the leases?

THE WITNESS: I was aware that there were leases. I was aware that there was income. I was aware that there was restrictions on cancelling the lease. I am not sure I knew that it was as high as \$200.00, but I knew there was a restriction.

MR. BATEMAN: Madam Chairman, we just received the restrictions this morning, and it might be well to read them into the record.

MR. TANZMAN: We only have one lease.

MR. FERRARA: Are you referring to the deed restrictions?

MR. BATEMAN: I was talking about the deed restrictions.

MR. TANZMAN: There are two leases,

we ought to quote both leases in as part of the record. I took the liberty of asking the Department to get us copies of the two leases.

MRS. HIGGINS: We have a copy of the skeet shoot lease here in front of us, and it does give the fact that there is the penalty clause for termination of the lease, which, as of - - well, I guess right now, July 1st, would be \$200,000.00 if the lease were terminated.

Now, in considering the value of the property, certainly you have to take into consideration this type cost, don't you?

THE WITNESS: If this in any way prevented a builder from utilizing the property, in developing the property, it probably would have an affect upon the value. However, the lease would probably be - - the lease would probably not be terminated, it would probably be continued by the builder. The lease does produce income, it is not a gift to the concessionaire.

MRS. HIGGINS: Well, it is also important to consider the fact that part of the terms of the lease require the protection of 35 acres?

MR. FERRARA: 45 acres.

MRS. HIGGINS: 45 acres, 45

additional acres around the 10 acres that are reserved for the skeet shoot, so, that's a total of 55 acres. Now, as I understand it from the map, it is about - - the nearest area to this lake front property that you are talking about is about 200 feet away, 200 or 300 feet away, and I question the desirability of anyone building a home that would be comparable in cost to the cost of the land on property that is so close to the shooting - - to trap shooting.

THE WITNESS: I think, if you will check the property, you will find that the skeet shoot range is sufficiently removed from the area where any of the expensive homes would be, so that, I doubt that they would even be aware that there is skeet shooting going on. It is removed by distance, it is also removed from that area by a ledge of rock, which, I think, effectively would cut off both the sight and view of the skeet shoot, it is considerably away from the lake itself.

Q Well, Mr. Stanley, Madam Chairman mentioned this restriction in the skeet shoot lease of an additional 45 acres over and above the 10 acres actually leased. Now,

wouldn't these 55 acres be excluded from any use that a developer could utilize it for for homes or any of the purposes that it is suited for, and therefore, should be eliminated from your - - or at least taken into consideration in some fashion?

A No, they would be excluded to the development for the term of the lease, and with 541 acres, it is inconceivable that the entire 541 acres would be developed immediately anyway. Some of it would not be worked on, so, it would not effectively prevent the developer from developing the property, in my opinion.

Q Except this 55 acres of land represents, quickly calculating, 10% of the total land that was being appraised by you; is that correct?

A That is correct.

Q So that when you apply your per acre value of land, and in this case - - well, let me ask you this question, you did divide your appraisal into several tracts, A, B and C?

A I did.

Q And can you tell me, just for the sake of this question here for the moment, this extra 45 acres of land, is that part of tract C to which you apply a value of \$750.00

per acre?

A The additional 45 acres would probably be the greater portion of tract C, that's right.

Q Okay.

So that - - and you've applied a \$750.00 per acre value to that land?

A That's right.

Q So that, Mr. Stanley, in your appraisal, that's approximately \$40,000.00 worth of value?

A That could be true, yes.

Q That really was not usable at this point or for at least a period of twenty years?

A Well, actually, no. There would be several hundred acres of this land, that, if it were purchased under the terms of my appraisal, would not be bringing any return for the \$750.00 an acre value that was put on it, but the ownership, whether there is a lease or no lease, the ownership is still in the ownership of the purchaser. This 45 acres is actually doing more benefit to the owner - - to the purchaser, than some of the rear $\$750.00$ acre tract that I mentioned in the southerly part, because it is producing income, and since it will - - title will rest in the purchaser, it has to have value, it will have

value to the purchaser.

Q As far as the income goes, Mr. Stanley, did you take into consideration the income? Do you know what the income was that was contemplated from that lease?

A I did know, yes.

Q Do you know now, offhand?

A No.

Q We had some figure this morning, and - -

A The reason why I can't quote it is because I didn't take, as you say, it into consideration in my final evaluation. The income producing portion of the subject property is of a relatively small nature, that is, percentagewise. The percentage of the property that is producing income is relatively small, and to take that portion of the property and capitalize it to determine a market value, then, take the remaining portion and develop a market value based on market data, would be inconsistent, and since only a relatively small amount of the property produces income, I didn't capitalize the income, so, it is probably not even mentioned in my appraisal.

MR. TANZMAN: However, if you were to follow Mr. Ferrara's approach, and deduct the 55 acres that are involved in the skeet shoot, and, also, the 5 or

7 acres as I have just been advised by members of the Department that is involved in the ski run, if you were to deduct this 60, plus or minus acres, from your value as you have set it up, then, of necessity you would have to take the flow of income that is attributable to this 60 acres and capitalize it.

THE WITNESS: If I did exclude it from my appraisal based on the per acre value that I used, that portion would still have to be evaluated because it still would be purchased. Whether the property is used or not immediately, it still must be purchased at a price and the only other way would be then on a capitalization of the income there.

MR. TANZMAN: So, if you were to deduct it from one side, you would have to add it on the other side?

THE WITNESS: There would be a certain amount of value attributable to that property from an income approach. You couldn't just say the property is unusable, hence, it has no value to the purchaser.

Q All right.

So that you might have to take, and without

going into the great details of the income approach, you would have to determine what the net income from that property was and attribute it to - - and multiply it by the number of acres and you would then come up with a cap rate for that portion of the property if you were to do that?

MRS. HIGGINS: He would have to consider the cost, too.

MR. FERRARA: Yes.

A I am trying to think of that now, how I would go about capitalizing it. It isn't that simple.

Q All right, I am sure it isn't - -

MRS. HIGGINS: You would have to take into consideration the taxes?

THE WITNESS: Yes, that would be part of the expense.

MRS. HIGGINS: And the taxes would have to be based on the total value?

MR. TANZMAN: These are both net leases.

MRS. HIGGINS: Oh.

Q Now, let us just - - in appraising this property, apparently, the leases - - the income from the leases was

considered, in your opinion, not significant enough for the purposes of affecting your value?

A No, I don't think so.

Q And you just used the overall land approach as we had indicated before?

A That's right.

Q Now, in arriving at your value of this land, did you take into consideration the restrictions against the use of the land which were in addition to the leases?

A I don't think I understand your question.

Q All right.

In the deed, as I have it from the State - - Shepherd Lake Properties, Inc. to the State of New Jersey, after references to these particular leases that we have just been talking about, the third condition was that it was also subject to an annual membership right of approximately 60 persons for use of the lake for fishing, and approximately 50 to 60 families to the use of the premises for picnic purposes, all of which would expire April 15th of 1964. So, they had expired not at the time of your appraisal?

A No, I had taken that into consideration. It was of such short duration that I don't think it would affect

the market value of the property.

Q How about the next one, the right of St. Mary's Academy in Sloatsburg, New York to draw water from the lake for fire fighting purposes?

A That wouldn't affect it.

Q How about No. 5, revocable right of St. Mary's Academy School to draw the water from the lake for drinking purposes? I don't think that would affect it either.

MRS. HIGGINS: It might, today.

THE WITNESS: Perhaps it might.

Q How about - - there was some easements referred to, oh, it looks like there was one, two, three, four, five, six, seven, eight, nine easements. Did you consider those at all?

A Yes.

Q What was the nature of those easements?

A Well, I know there was one major easement through the property for the Tennessee Gas Transmission Line, and this easement, where it might seem to restrict the economic use of the property, was more of a benefit than it was a deterrent.

Q What is the nature of the other easements?

A I don't think I could tell you that at this moment.

Q Do you know whether or not you had checked these easements?

A I checked the deed during the term of my appraisal. I checked the deed in the Court House, so, I have seen the deed.

Q How about the easements? Couldn't these be easements to access to the lake, possibly? I don't know.

A I don't think I could tell you at the moment what they are, but at the time that I checked them they were of no consequence to affect the value, in my opinion.

Q Well, apparently, they were sufficient that the seller saw fit to make sure that he accepted them.

A They would have to be included in any deed. If there are easements in the deed, these easements would have to go with the deed. Someone couldn't, arbitrarily, insist that these easements be left out.

Q Except that, Mr. Stanley, you as an appraiser, and, myself as an attorney, we are certainly always concerned about what these easements are. Now, if they are incidental utility easements, fine, but we are always concerned whether or not a person has a right to cross our property for any purpose, it is important to look at them.

A That's right. I checked out the easements when I made

the appraisal, and the easements that were inherent in this deed were not, in my opinion, at the time any deterrent to the development of the property.

Q Another condition was restrictions which were contained in two other deed books - - three other deed books. Did you check out what these restrictions were and what the effect on the appraised value would be?

MR. HIGGINS: Were you aware of them at all?

THE WITNESS: I was undoubtedly aware of them, because I checked - - I went to the Hall of Records and I checked these things out early. If you could enlighten me on what the restrictions were, perhaps I could - -

Q I honestly don't - - it merely says that the deed is subject to the restrictions contained in Deed Book V-10, page 289, V-10, page 281, and R-27, page 496.

A I don't think I could answer that at the moment.

Q All right.

How about the next one, which had to do - -

MRS. HIGGINS: I could answer that for you, if you want it.

MR. FERRARA: Well, Madam Chairman,

if you know.

MRS. HIGGINS: They are restrictions on the outstanding road, there were certain rights to the road that are outstanding and they go all the way back to the time the land was owned by Mr. Hewitt, who also owned Shelton College when it was all one parcel. They are also outstanding rights on the brook, drain ditches and the crossings and the boundings, and this is what is referred to there.

Q All right.

So that these, in your opinion, also had no affect on the title?

A No, I don't think they would affect the value.

Q All right.

How about "subject to outstanding rights in Shepherd Pond Road and Mansion Drive and all other roads referred to in deeds of record, whether or not physically owned or merely referred to in instruments of records" Unless that is the same one?

A I think you are referring to the same things that Mrs. Higgins referred to previously.

Q All right.

How about "subject to such objections of title

if any as may result from facts which a survey and inspection would disclose." Now, the survey question had a little play here recently.

A I think that's a standard clause.

Q Yes, it is, but would it have any difference on the total acreage involved?

A I would say that if there are any deviations from the total acreage as I appraised it of any great amount, and depending where the acreage might be, then, it might conceivably affect the value. I have no reason to believe that there is any deviation from the amount of acreage that I appraised, because I checked it both in the deeds and in the tax office. As far as I know, the acreage that I have cited in my appraisal is correct.

Q Well, in the same deed that I am referring to there were two other subjects which would affect acreage, I believe, it says: "Subject to the relocation of the east line of premises in question by reason of the differences in varying distances as contained in deeds covering premises in question and deeds next adjoining on the east."

And the other one says: "Subject to location of the New York - New Jersey State line with reference to Deed Book M-10, page 570."

A These are clauses which will cover differences in legal descriptions of properties - - two adjacent properties which happens often, there would have to be some finalizing of the ultimate line, and that would be true of the New York - New Jersey line. However, I have no reason to believe that these lines would be changed, there is no evidence to indicate that they would be.

Q All right.

There is one more here, "Subject to a grant made by the Ringwood Company to Sisters Servants of Mary Immaculate, a New York corporation." Dated May 11, 1961, and recorded May 16, 1961, in Deed Book Y-74, page 640. Now, are these the people - - the Convent that is the owner of property north of the lake?

A That's right, that's the property on the New York State line overlooking the lake. They are the ones who have the right to draw the water.

MRS. HIGGINS: And they own five acres on the lake frontage; is that right?

THE WITNESS: They have a 4.99 parcel on the lake in New Jersey which has a certain amount of right in the lake front. I don't think they are going to abuse their use of the lake.

MRS. HIGGINS: On the same subject matter about looking into the restrictions and easements et cetera, in your whole testimony you have said that you started on the assumption that this would be an exclusive, high value - - high caliber, to use your exact words. I wonder if you are aware of the fact that Shelton College had the right to the use of Shepherd Pond?

THE WITNESS: Not to my knowledge, no. I don't think they had that right, and I didn't know of it.

MRS. HIGGINS: Well, I have a letter here that refers to the fact, "I might mention also that our deed supplies certain water rights on the lake, including a boat dock." This is from Shelton College, I can only go by the basis of what this letter said, but it would imply that there was a right of Shelton College to use the lake. I questioned the possibility of the exclusiveness of this community development if a college had the accessibility to the use of this lake. I think the way you pictured it for us the other day was a controlled lake.

THE WITNESS: That's right.

MRS. HIGGINS: Where the use of

the lake is controlled by a club house?

THE WITNESS: That's right.

MRS. HIGGINS: That's the type of control you pictured for us?

THE WITNESS: That's right.

MRS. HIGGINS: And it certainly didn't, in your mind, I didn't think, from what you said before, imagine the use of the lake by college students.

THE WITNESS: There is no public knowledge of this right. I haven't run across it.

MRS. HIGGINS: It would make a difference?

THE WITNESS: This is news to me.

MRS. HIGGINS: It would make a difference?

THE WITNESS: It might conceivably, if it were passed on to an ultimate purchaser, affect value; however, I don't know to what degree.

MRS. HIGGINS: Would it be of the same type of thing that the access was? In other words, the access - - we know that in order to get into it from the State of New Jersey, you have to go on the road belonging to Shelton College.

THE WITNESS: If you are going to stay completely within the State of New Jersey, yes.

MRS. HIGGINS: Now, to get back to the access, if I might, as long as we have brought this up again, isn't it true that it would be rather difficult to imagine a community approving a self-development map if it would require the fact that the access would have to be through another state to get into the property? I am thinking not in terms of the emergency services, but let's just visualize a snowy day and access has to be made to this property by the people who live there, they have to get in and out. Now, do you think it is conceivable that the Borough of Ringwood would snow plow a mile and a half of road in New York State in order to get the people in and out of the Shepherd Pond development?

THE WITNESS: I don't know. I suspect that if I were in charge of the community of Ringwood, I might not take kindly to it.

MRS. HIGGINS: I bring it up only because I wanted to point out that it seems to me that accessibility should have been a part of your consideration.

THE WITNESS: It was considered, Mrs. Higgins, I realize that it is an unusual situation where a community which will fall completely within the confines of the State of New Jersey would have, as its major source of access, a road coming from New York State; however, I don't think snow removal would be a problem. It may well be that the community, in granting any subdivision of property, would insist that snow removal or street clearance would be a matter of local control, I don't know.

Q Any subdivision, Mr. Stanley, that goes before - - I am sure you are familiar with subdivision of land by developers?

A Right.

Q And any subdivision that lies within the boundary lines of two municipalities, and there are probably many parcels of land like that, and I think you indicated that in your previous testimony, would require the approval of both bodies, wouldn't it?

A Yes, if subdivision were going to fall within both communities, yes.

MR. TANZMAN: That's not the situation here, the land doesn't lie in two communities.

MR. FERRARA: Just a moment.

Q My next question, Mr. Stanley, is that there are many instances, I am sure, in the State of New Jersey, and, instances which you have come across, I know I have, in which a parcel of land is all within one community, but the road on which the parcel will front, for reasons of how lands were cut up previously, is in another community?

A I can't think of any specifics, but it could, conceivably, happen.

Q Well now, all right.

I could give you some of them in Bergen County, where I am familiar with it, but nevertheless, what would happen in that situation? Wouldn't that require the approvals of both bodies?

A No, this is an existing road. The Shepherd Pond Road is not a road that would have to be created through New York State, which would be a problem, but it is an existing road which is opened to public use. It has electric utility poles along it. I can't see what permission a developer would have to get from New York State for the use of this road, it is a public road in existence, paved.

Q The permission wouldn't - - I didn't mean to imply as to permission, the question I raised was the one in which the municipality would want to have the road within its control in order to grant an approval of land subdivision.

MR. FERRARA: Let me proceed from that point, if I may, Madam Chairman.

Q We have talked previously about how we arrive at comparable land sales that were going to be used for arriving at our value, and in one instance, we did receive a letter from Mr. Stanley, at our request, as to, first, whether or not he knew about the purchase price, and you indicated last time that you did not know, then, you did send a letter to the Committee indicating that you did not use the sale because there was distress conditions involved; is that correct?

A That is part of my letter, yes.

Q All right.

And, also, that the cash consideration could have been anywhere between \$15,000.00 and \$300,000.00?

A Yes.

Q And also, that the mortgages, which we were aware of, \$400,000.00 for the first mortgage, \$220,000.00 for the second mortgage?

A Yes.

Q Now, coming to the sales price, I assume therefore, that you had no knowledge of the sales price at all?

A No concrete knowledge, no.

Q All right.

Now, I assume that in the comparables that you set forth to us, that this was the basis for which you arrived at your appraisal, the comparables being the market data approach?

A Yes, I used market data as my approach to value.

Q And the comparables which you set forth in your appraisal of, let's see, four - - of six comparables, three of them were of individual private lots; is that correct?

A That is correct.

Q And the fourth one was an acreage parcel on an improved road that indicated about \$550.00 per acre value; is that correct?

A That is correct.

Q I am going to take the fourth one, Mr. Stanley, is this property which we have been talking about, the Greenwood Lake property - -

A That's the fifth one.

Q I am sorry, five, I said four twice.

A The fifth one is the Greenwood Lake property.

Q The fifth one is the Greenwood Lake property.

A Yes.

Q In which you indicated the sales price showed \$1,770.00 per acre?

A That's right.

Q Is that correct?

A Yes.

Q Now, directing your attention, I will come back to that in a moment, to the sixth one, this was also a small acreage of about 50 acres, 49.7 acres, and you indicated about \$1,100.00 per acre; is that correct?

A Yes.

Q And you did make the statement here that, "However, the business portion of this property - -" that is, the comparable I assume you are speaking of, "- - makes it about one-third superior to tract C of the subject property."

A That's right.

Q And tract C is where you indicated your \$750.00 per acre value; is that correct?

A That is correct.

Q Now, directing your attention to the Florida Lake, is

this good practice to, if I may use the expression, to build upon an appraisal on an appraisal that was made for the same purchaser previously?

A What you are trying to say is that the purchase price of this property was as a direct result of an appraisal made on some other property. I can't go along with that.

Q That was not my question, Mr. Stanley. My question is, is it good practice that the State of New Jersey, they being the purchaser of the subject property that we are talking about, Shepherd Pond, should be given, as one of its comparables, in fact, it is the one real prevalent comparable, one which it paid - - purchased just a short time before?

A I think it is excellent practice. I would have no objection to it.

Q What is your basis for that?

A Well, it is an arm's length sale. It is a sale, apparently, between a willing purchaser, because it didn't go to condemnation, and certainly, a willing purchaser. There is no evidence that the purchase price was anything but an agreed price between a buyer and a seller. I can't see any reason why it should not be considered as a

comparable.

Q If there was anything wrong with that, and when I say wrong, I mean if there was anything that might have been inaccurate about it, that, of course, would affect the whole picture?

A If I had any suspicion that the purchase price didn't represent a true arm's length transaction, I wouldn't have used it.

Q Now, didn't the purchase price - -

MR. TANZMAN: Just one moment, Mike.

Did you analyze the sale to see whether or not, in your judgment, the purchase price of \$1,770.00 per acre was, in fact, what you thought fair value?

THE WITNESS: Yes, this is also another factor in any sale. We run across a considerable amount of sales, a tremendous amount of market data, and we have got to look at it, and if it looks as though the price is out of line either on the high side or low side, we, of necessity, look into it. I went over this property, I know the property well. I think that the price of \$1,770.00 per acre is not out of line.

Q Directing you now specifically to your appraisal, you

set it up in tracts, as I referred to before, tracts A, B and C.

A Yes.

Q Now, in tract A you set forth 175 acres of land at \$2,000.00 per acre?

A Yes.

Q Now, does that include the 75 acres of the water of the lake?

A Yes, the 175 acres at \$2,000.00 an acre includes the 75 acres of the lake itself.

Q So that the lake itself, the water or the land under the lake, has a value of \$150,000.00?

A That's right.

Q Is that a usual way of assessing or appraising lake property?

A Yes.

Q To appraise the water itself?

A Yes, certainly, because this is part of the recreation area just as much as the land on which the club house is located. Without this recreation area, there wouldn't be any summer recreation at all, and there wouldn't be any value in the surrounding land at all.

Q But, Mr. Stanley, let me ask you this question, isn't the

presence of the lake the factor which gives your next item, tract B, a \$125.00 a front foot value?

A That is true.

Q Well, are you not then reflecting the value of this lake twice?

A No, I am not.

Q You are satisfied that you are not?

A No, I am not. Let me explain this. It would be the difference of the lake being in the ownership of someone else, as if the property was for sale with only the land and not including the water at all, which would be in another ownership. The property would be the same, physically, it would be identically the same, yet, because the ownership of the lake is in another ownership, there is no control over it and the land value wouldn't have as great a value, so that, owning the lake not only enhances the value of the land around it, but provides usage and utilities that have value, so that the lake, in my opinion, has as much value in itself as the rest of the recreation area of 175 acres.

Q And, also, that \$125.00 a front foot then would have to take into consideration that the lake is available, wouldn't it?

A That's right.

Q And if it were not available, then, the \$125.00 a front foot wouldn't be, necessarily, a fair price?

A There is a likelihood that it would be of less value.

Q So the fact is that it was because it was in common ownership, and that the lake was available, that the front foot value on tract B has some basis?

A That's right, I am not questioning that for a moment.

Q Now, you indicate that tract B, which is 4,000 usable front feet, is the most valuable piece of this property. I think you indicated something like that?

A Yes, it is.

Q I believe you said something to that effect in your testimony before?

A Yes.

Q Now, this is at \$125.00 a front foot?

A Yes.

Q How did you arrive at 4,000 usable feet?

A Well, the road itself is in excess of 4,000 feet. However, at the beginning of the road, that is, the area at the southwesterly end of the pond, the road comes very close, very close to the pond itself, so, it has a shallow depth. I didn't consider that this was too

usable, so that of the 4,000 plus feet, and I don't know exactly how much it is now, I figure that 4,000 of it would be buildable, that is, usable as building plots - - it would have sufficient depth for that.

Q And your calculation of 4,000 was along the road or along the lake?

A No, along the road itself. I am not considering lake frontage, I am considering street frontage.

Q Okay, even though we call it lake frontage in this instance - - well, we don't actually call it lake frontage, we have been doing that, but I - -

A I don't think I did.

Q In conversations we have been calling it lake frontage, but you're talking about 4,000 feet of street frontage?

A That's right.

MR. TANZMAN: Is this a good road, this 4,000 feet?

THE WITNESS: Yes, it is a passable road. I would say that it compares to the Board Road in Owasing, which is improved with dwellings and is being improved right now with more modern dwellings. I think it is similar to that. It is a dirt road with a base of stone of some type, it is a passable road. It would

not be allowed under development purposes, but it is passable and usable now, and it could be developed quite easily into an improved road.

MR. TANZMAN: What you are saying is that this road could be finished, a base could be added on, and it could be paved without a great deal of difficulty?

THE WITNESS: There are no engineering problems in creating this road. There would be no problems in turning this road into a finished road.

MRS. HIGGINS: The whole 4,000 feet of it?

THE WITNESS: I think so. I went over the entire thing, I even went up into the religious property up above the lake, so, it is passable. I don't think there would be any engineering problems involved.

MRS. HIGGINS: But in order to get a sub-development approval, there would have to be improvements made on this road?

THE WITNESS: Yes, it would have to be - - there would have to be a crushed stone and macadamized surface put on to a prescribed width, but with the bases that they have there, there would be

no problems in doing this.

MR. TANZMAN: Would the cost of this improvement be less than what it would be if this road wasn't in?

THE WITNESS: Yes, it would be less, in this sense, there are no bridges to knock down or trees to bulldoze out of the way, so that it would be almost as inexpensive as if you had cleared farmland. They would still have to do some digging and put in some crushed stone, but it would be relatively inexpensive.

MRS. HIGGINS: It is on rock, isn't it, some of it?

THE WITNESS: There is no evidence of rock in the road itself, no.

MR. BATEMAN: Mr. Stanley, one of the great problems that this Committee has had in making an evaluation is the lack of comparables.

THE WITNESS: Yes.

MR. BATEMAN: The one comparable which has a more direct relationship than any of the others, is the Florida Lake properties, and here we have a conflict. You've told us that it is inferior to the Shepherd Lake property, and Mr. Waring, who sold the

property to Mr. Wilson - - sold Shepherd Lake to Mr. Wilson, and who has a great deal of property in that area, told us that it is comparable, tells us that it is beautiful. It is very difficult for a Committee to sit here and get two very different evaluations of the comparable property.

Now, the comparable property went for about a thousand dollars an acre less, the Florida Lakes comparable, and I, for one, am in a quandry because this man, who owns so much land up there, makes a direct comparison between the two properties and he says they are both beautiful.

THE WITNESS: Well, I can't speak for Mr. Waring. I have a great deal of respect for his knowledge, but, in my opinion, the Florida Lake property is not at all comparable to the Shepherd Lake property. Although it does lie between two paved streets, it is, the Greenwood Lake Turnpike and the Owasing Road, it has no effective lake frontage as we know it at Shepherd Pond or Shepherd Lake. I keep getting the two names mixed.

Mr. Waring, at the time of selling the Florida Lake property to the State of New Jersey, retained the

only piece of lake frontage on Greenwood Lake which had any value. From that point on, just about the entire frontage of the Florida Lake property was precipitous in nature, a great deal of it anyway, there is rock ledges and you would have great difficulty in using it for the construction of homes, and you would have no possibility of using it for beach purposes. One also must consider the fact that Greenwood Lake itself, in no way compares to Shepherd Lake. I couldn't conceive where anyone could make a comparison between Shepherd Lake and Greenwood Lake. Here you have a publicly used lake, where, in many cases, there is little control over who gets in - - there is no control whatsoever over who gets into the lake. There are motorized vehicles on the lake. You have a variety of residences on the lake ranging from inhabitable shacks to summer type bungalows, and of recent date, some year-around homes. There is no pattern of home building there. You have the problem of purging and weeds. You have the problem of floating islands. Right now you have the problem of the possibility of water being drawn off Greenwood Lake and lowering the lake so that many of the people in Owasing will have no water at their property - no lake

water. You wouldn't have any of these problems at Shepherd Lake, so that I couldn't, by any stretch of my imagination, favorably compare Greenwood Lake and Florida Lake properties to Shepherd Pond or Shepherd Lake.

Q You've indicated, Mr. Stanley - -

MR. TANZMAN: Excuse me.

MR. FERRARA: I'm sorry.

MR. TANZMAN: For the purposes of the record, I would just like to point out that Mr. Stanley's appraisal is a million, three, and on the basis of a million, three his per acre price is \$2,500.00.

Mr. Slotus' appraisal would show \$2,700.00.

MR. BATEMAN: Yes, I mixed that up.

Q Did you indicate, Mr. Stanley, when you were going through this, you said that Mr. Waring, when he sold this property on Greenwood Lake which we sometimes refer to as the Florida Lake properties because ~~that~~ was the name of the corporation that owned it, that he retained the most valuable piece of land?

A He retained a parcel of land from the dead-end of Board Road to the Florida Lake property, a small amount of lake frontage.

Q Which you said was the most valuable piece of land?

A That was the most valuable piece of frontage.

Q Frontage?

A I mean, the most accessible and the most beautiful.

Q All right.

Now, I am going to come to tracts C - -

MRS. HIGGINS: Excuse me, Mr.
Ferrara.

MR. FERRARA: I am sorry.

MRS. HIGGINS: The description
which you gave before of the Greenwood Lake in contrast
to Shepherd Lake, the area on the lake front, describe
the topography for me.

THE WITNESS: The topography?

MRS. HIGGINS: I know there is a
beach that has been made there.

THE WITNESS: Well - -

MRS. HIGGINS: Is there any other
area where beaches could be made? Is there any other
area where beaches could be made without considerable
cost?

THE WITNESS: Yes, I think there
are other areas where a beach could be made. I can't

conceive of anyone taking this valuable lake frontage and creating another beach, because it has greater value as homesites, but certainly, about halfway in on the peripheral road, there are areas of Shepherd Pond where the ground is relatively level to the lake itself, and relatively level to the road, so that beaches could be created there, but I haven't given that any consideration because I don't think that the prudent developer would waste that valuable lake frontage for additional beaches. He has sufficient beaches on the lake as it is.

MRS. HIGGINS: Aren't there areas on there where the land itself - - I mean, where there is a tremendous drop to the lake?

THE WITNESS: Not where the peripheral road is. The precipitous nature of the property adjacent to the lake comes pretty close to the New York State line, there it does get pretty steep, but I haven't considered that ~~that~~ part of the lake front was buildable anyway.

MRS. HIGGINS: That was not part of your consideration?

THE WITNESS: No.

Q Would you said that the grade of that area - - would you

say that the grade might be 50 or 60% grade?

A Yes, I would say that it could be, conceivably, 50 or 60%.

MR. BATEMAN: Excuse me a second.

I didn't have it at my fingertip before, but this has been the kind of problem we have been having. Talking about that Florida Lake development, the lake frontage, Mr. Waring says, "The property in the so-called Florida development property is more amenable for development and it has that terrific Greenwood Lake frontage." I don't know whether he forgets he held onto it or not.

THE WITNESS: I think he was talking about being terrific in length, I don't think he was talking about terrific in use. Here again, I can't speak or comment on Mr. Waring's testimony, but I know the property, I know it well.

Q Mr. Stanley, overall now there has been an indication that - - you have 4,000 feet of frontage that could be used rather than maybe out of a total of six or eight that might be a thousand feet around it. In your contract C you indicated in your testimony that it was rocky and precipitous, and in testimony today that a great portion of that would be a long time in developing because of the difficulties - -

A I didn't say that.

Q You didn't indicate that when we were speaking to you about the leases, that there would be a lot of other land that could not be used for some time, and that 75 acres of this thing is the water of the lake. How much of this overall land, do you feel would be usable in the reasonable and foreseeable time that an investor would have to consider?

A Of course, that is a very vague statement, "reasonable time."

Q Well, use ten years if you want to.

A All right.

I think that ultimately the entire property, and this is a highly inexperienced guess because I have been over the entire property and have traversed it by car, so that I know that it is all accessible. I also know that there are some rock ledges in there. I also know that there are some precipitous portions, but I would dare say that of the entire property there wouldn't be a loss of - - I can't conceive a loss of 25%. I think it would be considerably under that.

MR. BATEMAN: So, if you knock out the lake and the 55 acres for the skeet shoot, there's

6

130 acres before you - -

THE WITNESS: 130 acres?

MR. BATEMAN: Yes.

THE WITNESS: Well, that is not unusable, the lake is always going to be usable.

MR. BATEMAN: Well now, we are talking about the development. If you subtract 130 acres, you are starting with 400 acres that are possibly developable before you get to any rock problems or any other problems.

THE WITNESS: I don't think I ever said in testimony or in my appraisal that I anticipated that the entire 541 acres of this property would be developable.

MR. BATEMAN: No, we are just getting to the point of how much it would be, because we have had testimony that about half of it would be developable.

THE WITNESS: Well, I had anticipated that 175 acres would be in the lake and resort facility area, in addition to that, there is about another 60 acres, I think, that probably would be developed into additional resort facilities, that would mean about 235 acres would be lake and resort facilities, and the remainder would,

probably, be developed for residential construction, or, I guess, about another 300 acres that would be.

Q Well, can you summarize this phase of your appraisal by indicating the amount of land usable?

Assemblyman Bateman points out that if you eliminate some of these things, down to the lake and the extra land on the leased property you only have 400 acres that would be developable within this period of time, ten years.

A I don't know why a time limit is put on this, because I don't know what the prudent developer would do. One developer would try to develop quickly, another would develop it slowly. I don't think the factor of time should enter into it. The factor that should be considered is how much of this is economically developable.

MR. BATEMAN: Doesn't the factor of time, sir, enter into the purchase price? I mean, if it is going to take an awfully long time to buy a piece of land, I would assume that the price of that land would be less than if it would take less time to buy it.

THE WITNESS: I don't see where the time factor should be considered. When I said that the time factor should not be considered, I meant that

no two developers would work at the same pace or with the same goal in mind. I think that if a developer wanted to go in there and put enough of a work force on in there he could possibly develop the whole tract in ten years, if he wanted to. I don't think he would want to, but he could.

Q Mr. Stanley, I would like to go on to your comparable sales.

You testified previously, and indicated to us that the only comparables other than this Greenwood Lake property, as I mentioned before, your lot comparables was somewhere between \$95.00 and \$105.00 a front foot; is that correct?

A Right.

Q Was that your testimony the last time?

A Yes.

Q And you indicated that your figure of \$125.00 a front foot would still be a good appraisal figure even though you were buying it in a wholesale lot as distinguished between an individual plot; is that still your reasoning?

A These are lots in the raw state. I don't know that I would say wholesale or refer to it as acreage as I heard before. These are lots in the raw state. I think

that the \$125.00 a front foot for this lake frontage, that is, the street frontage along the lake is a reasonable figure. The only reason I cited the three lot sales that I cited here is because they are the nearest lake front lot sales that were available to me. I didn't mean to indicate that in citing them that I felt that these were similar in any way to the lots that would be created on the frontage of Shepherd Pond. The sales are indicated as comparable sales, and I think the word "comparable" is a very - - well, it is a misnomer because it implies that the property that is being weighed - - the sales that are being weighed are comparable to the subject property, and they are only comparable in the sense that there are some areas of comparability, but what they actually are market data that we weigh and analyze to arrive at a figure.

I don't think that there is, in the County of Passaic or the County of Sussex, any sales. I just can't think of any sales that there would be of public knowledge that would compare to Shepherd Pond. The only one that I can think of that is comparable is the sale of Franklin Lake which is now urban farms, and I tried to ~~get~~ some facts on that but that is not for public knowledge.

there are too many concessions involved - -

Q Mr. Stanley, when you say that, you mean that there is nothing exactly in these circumstances, that is, a single lake within a completely controlled piece of land?

A More than that, the type of lake we have here and the type of location, the type of protected location, the type of scenic beauty we have here and - -

Q But there are, Mr. Stanley, unless we are incorrect in looking at the maps and the land knowledge that we have, there are areas in those counties that you referred to where there are lakes within large parcels of land for development purposes?

A Yes, there are.

Q There are different qualities of lakes, and different qualities of water that go into it?

A There certainly are.

Q And this, of course, would affect the value?

A Yes.

MRS. HIGGINS: Let me get something straight, I can't understand the term you use, "control."

THE WITNESS: When I said "control," I think you're referring to my controlled use of

the lake.

MRS. HIGGINS: That's what I wanted to know.

THE WITNESS: Yes, for instance, we have no control on Greenwood Lake, and we have to go back to Greenwood Lake because it is one of the lake frontages that we referred to, for more of the comparables come from there. There is no control over the activity. I shouldn't say "no", they have some police control, but I can speak from personal knowledge that at Board Road, where I have cited three sales - - my employer, Mr. Weiss, lives at the last property on Board Road which he purchased at \$100.00 a front foot in 1958. It only has a 75-foot depth. The property that is owned by Waring, immediately adjacent to it, the piece that was referred to before that he held out from the Florida Lake property, is used by youngsters from all over creation. They use that as their personal take-off dock for water skiing, there are beer cans all over the place there - they have a lot of fun. There is a tremendous amount of noise, and there is just no control over their activities, so that, the property owners in the immediate area, who have purchased property at some expense and built there

for the peace and quiet of the lake front don't really get it. You would have more control at Shepherd Pond because the owner could prohibit motorized boats. The property - -

MRS. HIGGINS: Pardon me, that is what I want to get straightened out. How could the owner, and the owner you are visualizing is one owner of the whole area? I thought your highest and best use was exclusive executive homes?

THE WITNESS: When I say "owner" I mean corporate owner, such as you have at Pine Lake, Packanack Lake and so on. They don't allow motorized boats because the corporation bars it, specifically.

MRS. HIGGINS: In other words, you are visualizing that the best use of this property would be the sale to a corporation who would control the use of the lake? That's what I want to know.

THE WITNESS: Yes, they would create a club community where they would control the lake itself.

MRS. HIGGINS: And you draw a comparison with Franklin Lakes and Urban Farms?

THE WITNESS: Yes.

MRS. HIGGINS: Is it not true, though, that at Urban Farms that certainly isn't zoned for resort type which would permit the building of motels, cocktail lounges, beauty parlors, barber shops, which is permitted at Shepherd Pond?

THE WITNESS: I don't think that is an asset to Shepherd Pond.

MRS. HIGGINS: That's what I was getting at.

THE WITNESS: I don't think it is an asset because I didn't imply nor do I conceive the purchaser couldn't purchase and do that. Now, these motels and other facilities would be put up for public use, and I am assuming that the purchaser would keep this for private use. Now, there would have to be some public use of the commercial buildings.

MRS. HIGGINS: But the purchaser could not, because of the fact that he discovered the existence of these two leases, keep it for private use, there are two leases on the property where there is a skeet shoot and a ski run.

THE WITNESS: I know. He would have to, of necessity, allow the public to frequent these,

and fortunately, these are on the outer perimeter of the property on Shepherd Pond, but they could certainly control their getting into the remainder of the property. There would be control over the club house area, there would be control over the lake itself, and these two leases don't affect those.

MR. TANZMAN: Mr. Stanley, as I gather from reading your appraisal, and from your testimony, what you contemplated in your appraisal is that this property would be purchased by a developer?

THE WITNESS: Yes.

MR. TANZMAN: Who would then re-sell to individuals or to small builders who would construct houses for individuals?

THE WITNESS: Yes.

MR. TANZMAN: And that in the deed he would set up rules that would be merged with the deeds and these deeds would have restrictive covenants in them which would be in perpetuity and would restrict and prevent the very thing you are talking about; am I correct?

THE WITNESS: That would be part of it, yes.

MR. TANZMAN: And the mere fact that the property is zoned for permitted use by restriction and by covenant, he would preclude the use of these things that are permitted under the zoning?

THE WITNESS: Yes, he could completely eliminate these objectionable features.

MRS. HIGGINS: If I might interrupt - -

MR. TANZMAN: That's what you contemplate?

THE WITNESS: That's right.

MRS. HIGGINS: Excuse me.

I am reading from your appraisal itself, Mr. Stanley, and not what Mr. Tanzman is saying, that he thought you meant in your appraisal. In your conclusions and justifications in your appraisal, Mr. Stanley, you in no way use the language that Mr. Tanzman said he thought you used.

MR. TANZMAN: Everybody was asking leading questions, so I asked some.

MRS. HIGGINS: He says: "Several resort facilities are already in existence, and there are already plans to erect a motel unit on the westerly side

of the club house parking lot." That's why I asked the question about motels.

THE WITNESS: Yes, I did mention that because there were - -

MRS. HIGGINS: That was in your justification and conclusion.

THE WITNESS: But I did at the same time indicate - -

MRS. HIGGINS: And in no way did you mention the fact about a prudent developer buying this as a corporate entity in this conclusion and justification?

THE WITNESS: I wouldn't conceive of an individual buying it and handling it by himself. It would, of necessity, be a corporation. There are things - - in an appraisal, were we to put every thought we should in an appraisal, we would make it a very lengthy document.

MRS. HIGGINS: This is the whole basis - - your whole basis?

THE WITNESS: I didn't in here state that I felt that the property would be developed for public use. I didn't indicate that I felt that

additional public facilities would be built. I merely stated that there were plans, by the present owner, to erect a motel, but I didn't anticipate that a buyer, buying before this motel would be put up, would go along with it. I think it would be contrary to his interest.

Q Mr. Stanley, let me go on a little bit more, and I hope we are nearing the end.

In your appraisal, or in your testimony previously, you indicated that you had appraised the Wawayanda parcel of land which was purchased by the State over in Sussex County, west of the subject property?

A That's right.

Q And that's an area, if my recollection serves me correctly, of 900 acres?

A No, 4,000 acres.

Q I am sorry.

In fact, there was a total of 7,000 or 7,500 acres at one time and the State purchased something like 4,000 acres?

A I believe it was 4,000 acres.

Q And there was a large lake on it?

A Yes.

Q Lake Wawayanda?

A Yes.

Q A much, much, much larger lake than Shepherd Pond?

A Yes, there are two hundred and some acres in the lake.

Q You didn't use that as a comparable in any fashion in your appraisal, did you?

A No, I didn't.

Q Why?

A Well, for several reasons: in the first place, I don't know - - I don't think that the purchase of it was completed at the time of this appraisal.

Secondly, it falls in an entirely different county, and an entirely different area, and it has no resemblance to the subject property except that it has a lake on the property and is surrounded by acreage.

Q Mr. Stanley, let me just get this straight, at one point we are told that you can't ever find another piece of land like it, then, we are told that it only has a lake that is the same as this. I think we should agree, for this purpose, that there are no exactly the same two pieces of land.

A That's right.

Q We will start with that basic premise.

A Yes.

Q But when we talk comparables, we mean substantially comparable. Now, "substantially" is a word that leaves you to looseness; is that right?

A All right.

Q So that this Lake Wawayanda property, has comparable aspects, and the distance from it is how many miles? It is indicated on the map in the back of the room, I am sure. How many miles is it?

A I don't know, and I don't agree that it has comparability.

Q All right.

A I don't agree that it has comparability in the sense that I would say comparability. Everything has comparability to something else, there must be some area, but - -

Q Well, let me ask you specifically, does it have a lake?

A It has a lake.

Q Does it have lake frontage?

A It has lake frontage.

Q Does it have land which is not on the lake and undeveloped?

A Yes.

Q Is it land which can be developed on the lake in one fashion as one portion, and beyond the lake in another way?

A Physically, yes.

Q All right.

Is it a lake which can be restricted in its use?

A If it were all purchased, if it were purchased in its entirety, there is no reason why it couldn't be.

Q All right.

Now, in what areas then - - all of those features I asked you about were, I believe, similar to Shepherd Lake. Now, in what area is it not comparable?

A All right.

In the first place, it is in an entirely different county, and this, as the first reason, would compel me not to want to use it.

Q Well, in that regard, can we get some idea - - if we are in the next county, but immediately adjoining the boundary lines, it wouldn't make a difference, would it?

A This isn't.

Q So, it is important to get an idea of the distance between them?

A All right.

The distance between them, physically, is not the distance that it would require to get to this lake because it cannot be approached, directly, from an east-

west direction.

Q For the purpose of this discussion, for the general area and recognizing - -

MR. BATEMAN: Do you have to go through New York to get there?

THE WITNESS: Yes, you do.

Q Well, all right, let's just take it for location purposes. Is it ten miles west of Shepherd Pond, as the crow would fly, not that we are flying that way, but just so we get a location?

A My map doesn't indicate it, I have no way of knowing it, therefore, I would only be guessing.

MR. FERRARA: Just hold the record while Mr. Bateman is trying to get a calculation.

All right, we can go on the record while Mr. Bateman is trying to scale it.

Q You say one of the reasons that it is not comparable is because it is in another county?

A That's the first reason.

Q What else?

A Secondly, the accessibility to this lake is extremely difficult. The only way to reach this lake is by a long and torturous series of roads. The pavement runs

out long before the lake. You would have to weave past Highland Lakes. You would have to weave past Barry Lakes, then, ultimately come to the lake. It is not the type of property which could be developed, in my opinion, in the next twenty years because of its inaccessibility. Seeing the problem that Highland Lake has had developing, this is much less accessible than Highland Lake.

Thirdly, the property that was purchased originally by the State was not purchased in one deed, because the northerly part of the lake was in a different ownership. It was the Fancher Tract, and it had on it, in fact, the entire lake had a series of ramshackle summer shacks - I wouldn't call them bungalows, which had leases which would allow them to use these shacks. As a matter of fact, I think they are still being used by the tenants even after the State has bought them.

Q Let me interrupt you a moment, Mr. Stanley.

Firstly, am I queer and do I understand correctly that you made the appraisal for this Lake Wawayanda that the State bought?

A Yes, I did.

Q What did you appraise it offhand, do you recall?

A No, I have no way of knowing what it was.

Q All right.

Now, you just indicated that it was not purchased by the State all at one time?

A No, it wasn't.

Q The 4,000 acres, or the 4,500 acres which was sold to the State was not purchased all at one purchase?

A No, the 4,000 acres was, but the New Jersey Zinc Company did not own the entire tract. The New Jersey Zinc Company owned the major portion of it, but it didn't own the entire tract.

Q Mr. Stanley, let me just stay, for the moment, on when the State purchased the tract. You have injected the name of New Jersey Zinc, and just so the record is clear, New Jersey Zinc was a record owner of that property and had, approximately, some 7,000 acres of land, and Fred Ferber was an option purchaser, a contract purchaser, and we are aware of the fact that there was some litigation involved in that situation as to the rights of an option purchaser when the State of New Jersey came in to condemn the land, then, as a result of some type of settlement or compromise you, apparently, were called in under the Green Acres Program, appraised the property and

some 4,500 acres of the total property involved was purchased by the State.

Now, are you saying this was not purchased all at one time? I am confused, because my information and recollection of some reviews some place here was that it was all one transaction.

A To my recollection, the New Jersey Zinc Company deeded approximately 4,000 or 4,000 plus acres and the lake itself to the State of New Jersey, then there was an additional portion at the northerly part of the lake which was known as the Fancher tract, which, I believe, was in separate ownership.

Q How much of a parcel would that amount to? Do you recall?

A No, I couldn't tell you that.

Q Was it a substantial portion or a small portion?

A Well, it was substantial in the fact that it had probably about 18 or 20 bungalows on it.

Q The acreage, of the 4,000 acres?

A I couldn't tell you that, I have no way of knowing. It would only be an unqualified guess.

Q All right.

MR. FERRARA: Mr. Bateman has a report.

MR. BATEMAN: We have measured, and as the crow flies it is about eleven miles. As a car drives, it is a good deal further than that.

Q So that the distance from Lake Wawayanda and Shepherd Pond, as a crow flies, and using a hand as a ruler as I watched Mr. Bateman going across the map, is something like eleven miles, and somewhat greater by the other method.

A All right.

Q So that in the general sense, in that sense anyway, it is in this northern part of New Jersey area, the area being Sussex, Passaic - -

A It is in the land land areas, I won't argue on that.

Q All right.

What other item, we got lost here for a moment, what other item was not comparable about Shepherd Pond and Lake Wawayanda?

A I think there are more dissimilarities than there are similarities, so much so that to use it would be misleading.

In the first place, it's inaccessibility alone would make it uncomparable. You could develop Shepherd Lake, you could start this year and develop Shepherd Lake.

I cannot conceive Lake Wawayanda being developed in the next twenty years. I know it would be very, very difficult. It is inaccessible, there is no paved road to the lake itself. The type of terrain is very difficult. It has an awful lot of rock ledges. It is not a quality area.

Q Let me ask you this, Mr. Stanley, when you made your report in this Shepherd Pond or Thunder Mountain property, and you handed it to the Department of Conservation, did you have any contact with them after that? Did they contact you?

A I have been in contact with them right up until recently.

Q I mean when you handed in this report, in regard to this report?

A No. I think that once the report was mailed in with an invoice, the next and only other contact with them, regarding it, was when they sent the check for it.

Q How much were you paid for the appraisal?

A \$1,400.00.

Q \$1,400.00?

A Yes.

Q So, there was no inquiry made by you by the Department in relationship to your report?

A None whatsoever.

MRS. HIGGINS: When were you asked to submit a bid? Were you asked to submit a bid on the cost of your fee for the report?

THE WITNESS: As I recall, this order came via the telephone. It didn't come by letter. I don't think it did come by letter. Anyway, I don't have a letter in my file. I believe it came in late summer. I think it was just after Labor Day, probably in September. I completed the appraisal and mailed it in on November 11, 1963, so, it would have been around September, I believe.

MRS. HIGGINS: Thank you.

Q Mr. Stanley, coming to the end, one last question, were you aware of either the staff appraisal or the other independent appraisers' value of this property when you made your value?

A No.

Q Did you know that any other appraisals had been made of the property?

A Not to my knowledge. I assumed that there would be other appraisals made, but I didn't know of any.

Q Did you say that you assumed there would be others?

A I assumed there would be others.

Q And what did you base that assumption on?

A Well, I know that any property of this size always requires several appraisals, at least two or three.

Q When we were talking about the purchase price that was paid by Mr. Wilson for this property, you indicated in your testimony that you were advised that this was not an arm's length transaction. Did you indicate to us who advised you or how you came to know this?

MRS. HIGGINS: No, he said he couldn't remember the date.

A No, as you recall, when I was here the other time I was subpoenaed on Sunday afternoon.

Q Yes.

A (continuing) - - I was in Superior Court, Passaic County, all day Monday and half a day Tuesday, so, I didn't even have time to look at my files. I grabbed my files and came down here, but I did recall, at that time, I didn't use - - I would ordinarily always use the sale of the subject property of recent nature, because it is the best guide to the value that I know of if it is a bona fide, arm's length sale, but I do recall that there was something in the discussions and investigative

work that indicated that this didn't have the attributes of a true arm's length transaction. You asked me if I would find out what it was and where I found out, but I had been in discussions with my employer and Mr. Gerlack who owned the major portion of Cupsal Lake, and various brokers in the area, I hadn't talked to Mr. Wilson, I was unable to reach him, but in looking at the deed, and I think - - I am not sure, but I think I made an inquiry of the State Department of Conservation, too, at that time to find out what the details were, and I got different stories from different people. The stories indicated a sales price of anywhere from a few hundred thousand to close to a million dollars. The deeds that I examined indicated that the two mortgages existed, as we have known, and indicated a purchase - - a cash payment of a hundred dollars, and, subsequently, talking to, I believe, Mr. Waring, it was indicated that there was more cash than that involved, there was a payment of taxes of \$5,000.00 - -

MRS. HIGGINS: I beg your pardon?

THE WITNESS: There was a payment of \$5,000.00 to cover taxes for a period of time.

A (continuing) - - There was something like \$15,000.00

cash that actually exchanged hands, but the greatest indication was the fact that this was not a true arm's length transaction as we know it between a willing buyer and a willing seller, neither one acting under duress.

MRS. HIGGINS: Why do you say that?

THE WITNESS: Well, there had been rumors that the country club itself was not a successful operation, that they were having difficulties. A great deal of this information I had gotten from Mr. Waring, too. Also, that when it was sold it was sold with a fairly small amount of cash which, in itself, is a highly suspicious transaction. Primarily, it was - -

MRS. HIGGINS: You say it was sold with a very small amount - - you feel the property was sold with a very small amount of cash?

THE WITNESS: As best as I understand, the amount of cash in relation to the purchase price was relatively small, yes, and the country club itself has indicated since then that they had creditors which they haven't paid off, so, all the knowledge I had indicated that this was not a sale without duress, and I didn't feel it would be safe to use it as

market data.

I also know that at the time that Mr. Wilson took title to it that there was this bona fide offer of a million dollars for the property which Mr. Waring claimed that he was asked to negotiate. I couldn't use this either because this is hearsay, and it is not evidential, so, I didn't use it.

Q One more question, Mr. Stanley, I just want to make sure that I understood correctly, you did appraise what we like to refer to as the Green Engineering property?

A Yes.

Q And that's the property which - -

A It is on the opposite side of Shepherd Pond Road.

Q It is just west of this subject property?

A Yes.

Q There is only one intervening piece of property between it and Shepherd Pond, and that is the property owned by Mr. Waring?

A That's right.

Q Is that correct?

A Yes.

Q And do you know whether or not - - do you recall what you appraised that property at?

A I haven't looked at the appraisal lately, but I know that the appraisal figure was in excess of a thousand dollars an acre. I have a feeling that it probably was around \$1,200.00 an acre.

Q I have it here, I think. I see it is an area of about 349 acres, with an appraisal value of \$349,500.00, which would mean about a thousand dollars an acre, if I was to divide the acreage - -

A How many acres were there?

Q 349 acres, two parcels of land making up this one parcel.

MRS. HIGGINS: Green Engineering?

MR. FERRARA: Yes.

A That's right.

Q Do you know whether or not the State has completed its purchase of that property yet?

A I don't know.

Q Did you have anything to do with the appraisal of the other piece of property that is in between these two subject properties?

A No, those are the only two parcels in that area that I appraised.

MR. FERRARA: I have no further questions.

MRS. HIGGINS: Do you have any further questions, Mr. Tanzman?

MR. TANZMAN: One question.

Somewhere along the line Mr. Ferrara mentioned something about condemnation. Have you had any experience in condemnation proceedings, testifying?

THE WITNESS: Yes, I have. I have appeared in condemnation many times.

MR. TANZMAN: What is your experience in condemnation as to the settlement before the Condemnation Commission as related to the appraisals?

THE WITNESS: Well, it has been my experience that where three condemnation commissioners are involved, that the rule has generally been that a figure is arrived at by them somewhere between the appraisal figure of the property owner and the appraisal figure of the authority. It seems as though they like to strike a midway average.

MR. TANZMAN: So that a property owner, in most instances, hires an appraiser who gets a higher value than the condemning authority?

THE WITNESS: Well, this has been my feeling when I have been on the other side of the fence.

If I were hired by the owner, I wouldn't, but it has been my experience on the other side of the fence.

MR. TANZMAN: It is not pertinent, it is just a question.

MR. FERRARA: I don't think that this testimony indicates that this is the way appraisals go, on one side it is high and on the other side it is low.

THE WITNESS: I meant to indicate that my appraisal wouldn't be any different, no matter whom I was representing, the buyer or the seller.

MRS. HIGGINS: Mr. Bateman, do you have any further questions?

MR. BATEMAN: No, ma'am.

MRS. HIGGINS: Thank you very much, Mr. Stanley, we appreciate your coming here and we are sorry again that we had to hold you up a little bit.

MR. STANLEY: Thank you.

MRS. HIGGINS: The hearing today was planned to have these two appraisers before us. We are planning to have another public hearing on July 8th. We had tentatively planned - - made arrangements to have a hearing on July 1st, for the purpose of giving

the Commissioner of Conservation and Economic Development an opportunity to testify and, also, members of his Department. Because of the fact that the hearing date was scheduled so close to this present hearing, and because the Commissioner is very much involved with water problems at this time, we felt, in fairness to him, it would give him more opportunity if we postponed the next public hearing until July 8th. We have been in contact with the Commissioner's office, and we think this would be very nicely accepted by them, and we will be happy to make that arrangement. Also, if anyone is interested in giving any testimony we will be happy to hear from them.

We will consider the hearing closed.

(Whereupon this matter was concluded)

