



State of New Jersey
STATE HOUSE COMMISSION
State House
Trenton, New Jersey 08625

MEMORANDUM

DATE: April 29, 2013

TO: Kimberly M. Guadagno, Lt. Governor/Secretary of State

FROM: Robert J. Shaughnessy, Jr., Secretary *RJS*

SUBJECT: MEETING NOTICE

Pursuant to the Open Public Meetings' Act, there will be a meeting of the State House Commission on Monday, May 6, 2013 at 9:00 am in Committee Room 7 on the second floor of the State House Annex.

Please be advised that there may be a telephonic connection with one or more of the members.

Attached is a proposed agenda for this meeting. The Commission may also take action on any other matters that may come before it.

/j
Attachment

c State House Press Row w/attachment

STATE HOUSE COMMISSION
PROPOSED MEETING AGENDA

~~ May 6, 2013 9:00 AM ~~

Committee Room 7, Second Floor
State House Annex, Trenton, New Jersey

CALL TO ORDER:

- ~ Dominick DiRocco, Senior Counsel, Governor's Office
(on behalf of Governor Chris Christie)
 - ~ Robert A. Romano, Deputy State Treasurer
(on behalf of State Treasurer Andrew P. Sidamon-Eristoff)
 - ~ Charlene M. Holzbaur, Director, Office of Management & Budget
 - ~ Senator Gerald Cardinale
 - ~ Senator Bob Smith
 - ~ Assemblyman Paul D. Moriarty
 - ~ Assemblyman David P. Rible
-

OLD BUSINESS:

1. Approval of the December 6, 2012 State House Commission Meeting (SHC) Minutes -- The verbatim record of the December 6, 2012 SHC meeting will serve as the official minutes.
2. Discussion in the Matter of the Tenancy of Anna Higgins (Executive Session, if necessary)
3. RPR #11-09, Bank Street Garage, Block 3803, Part of Lot 2.01, Trenton City, Mercer County

Requesting Party: The NJ Department of the Treasury, Division of Property Management & Construction (DPMC)

Terms: This project was previously approved by the State House Commission at its May 2, 2011 meeting. However, the temporary construction easement that was granted has since expired and a new temporary construction easement must now be granted in order to complete an environmental remediation project.

This action recommends granting a Temporary Construction Easement to PSE&G to perform an environmental remediation project on the Bank Street Garage property. This site is a former manufactured gas plant. The project involves the re-installation of five ground water monitoring wells previously removed from the property during the environmental remediation project, as well as granting PSE&G access to the wells in order to perform ground water testing. The temporary easement will be granted for one year for \$1.00. The work will not interfere with the operations of the garage.

4. Project: Swartswood State Park, Block 1901, Part of Lot 9, Hampton Township, Sussex County

Requesting Party: The NJ Department of Environmental Protection, (DEP),
Division of Parks & Forestry

Terms: On December 15, 2011, the SHC approved the disposal of a 0.052 +/- acre parcel within Swartswood State Park to resolve a building encroachment due to a deed and survey error. The parcel will be sold to Patricia Cholasta, the owner of adjacent property (Block 2104, Lot 8), for \$2,821.25 (fair market value). In addition, the DEP proposes to lease to Ms. Cholasta, a 0.188 acre parcel currently being used as her front yard. The lease term will be for 10 years at a rental of \$820 per year, as determined by appraisal.

The summary submitted to the SHC in support of the original request indicated the sale of 0.052 +/- acre property to Ms. Cholasta would be contingent on her granting the DEP a Right of First Refusal on her residential lot (Block 2104, Lot 8). The Right of First Refusal was a requirement of a formal written offer made by the DEP to the landowner to resolve the building encroachment and was described in the original summary as additional compensation for the proposed disposal. In order to clarify the conditions under which the Right of First Refusal would be triggered, the DEP is seeking to amend this approval to allow Ms. Cholasta to sell or transfer her home to a spouse, domestic partner, partner in a civil union, child or grandchild without triggering the Right of First Refusal. This language is typically used by the DEP when it obtains a Right of First Refusal, but could otherwise be construed as creating an exception to the original SHC approval.

5. Project: Kittatinny Valley State Park/Paulinskill Valley Trail, Block 302, Part of Lot 1, Knowlton Township, Warren County

Requesting Party: The NJ DEP, Division of Parks & Forestry

Terms: On May 2, 2011, the SHC approved the conveyance of a 1,000 square foot driveway easement to an adjacent property owner (Fernando Semiao) to eliminate a continuing trespass by users of the Paulinskill Valley Trail on private property and confirm legal access to the adjacent lot. In exchange, Mr. Semiao agreed to donate the area currently being used by trail users (Block 30, a portion of Lot 8) along with Block 29, Lot 2 (0.75 acre property with 280 feet of frontage along the Paulinskill River). Mr. Semiao agreed to sell the State of New Jersey a conservation and/or agricultural easement on the two properties to be accessed by the driveway (Block 30, Lot 7 and Block 31, Lot 4, totaling 40 acres). This resubmitted application shall: (1) correct acreage discrepancies, and (2) clarify there will be a 10 acre exception area within the conservation/agricultural easement area within which the Semiaos may construct one single family residence (and associated outbuildings). The fee value of the 25' wide (0.135 acre total) public access corridor across Block 30, Lot 8 was not part of the original compensation calculation for this transaction. The reduction in compensation acreage in this amended summary (0.133 acres) is less than the acreage

of the public access corridor (0.135 acre) to be conveyed to the State. Therefore, the review appraiser concurred that overall values in this transaction remain about the same and no additional compensation is proposed.

6. Project: Delaware & Raritan Canal State Park, Block 1, Lots 3, 4, Former 4A, 5.02 and Part of 8, South Bound Brook Borough, Somerset County

Requesting Party: The NJ DEP, Division of Parks & Forestry

Terms: On October 27, 2010, the SHC approved a request to enter into a boundary line agreement with G-I Holdings, Inc. to establish with legal certainty the boundary between the holdings of the State and G-I Holdings, Inc. This application shall address the following: (1) Although the survey in the original SHC summary depicted Block 1, Lot 3 as one of the properties involved in this transaction, this lot was not listed in the summary. (2) A reference to Block 1, former Lot 4A, which is not a current tax lot but is depicted on the survey, was omitted from the summary. Other references to Lot 4A have been changed to "former Lot 4A". (3) The DEP has amended this summary to clarify that resolution of this matter involves the execution of several quit claim deeds (as well as a boundary line agreement between the DEP and G-I Holdings, Inc.). (4) Although the acreages involved in the original approval are unchanged, the DEP approved a final version of the survey for this transaction after SHC approval. A reduced copy is included in each members' binder. (5) Due to discrepancies between the tax records and tax maps, it is not clear whether the current tax lot designation depicted on the attached survey as Lot 5.02 is still Lot 5.02 (or whether it has been changed to Lot 5). In the event the Borough determines that Lot 5 is the correct designation, the DEP seeks approval to change all references on the survey, boundary line agreement and associated quit claim deeds from "Lot 5.02" to "Lot 5". (6) G-I Holdings, Inc. has requested the DEP extend the deadline for installation of final survey monumentation from September 2012 to September 2014.

7. Project: Lenox County Park & Nami Tract, Assunpink Wildlife Management Area (WMA), Block 44, Part of Lot 6, Block 45, Part of Lot 17, Block 45, Part of Lot 18, East Windsor Township, Block 2732, Part of Lot 3.01, Hamilton Township, Block 19, Part of Lot 15, Robbinsville Township, Mercer County

Requesting Party: The NJ DEP, on behalf of Mercer County

Terms: On October 27, 2010, the SHC approved an application by Mercer County to dispose and/or divert approximately 7.783 acres of parkland to the NJ Turnpike Authority for the NJ Turnpike Interchange 6-9 Widening Program. As compensation, the Authority agreed to pay \$332,680 to be used as a contribution toward: (1) the purchase by East Windsor Township of approximately 9 acres of replacement parkland (Block 30, Lot 12 in East Windsor) and (2) the purchase by the DEP of other lands for addition to the Assunpink WMA and for facility and habitat improvements to Assunpink WMA.

Subsequent to approval, the Authority requested a small area originally intended as a utility easement be enlarged slightly and conveyed in fee from the County to the Authority (within Block 44, Lot 6 in East Windsor Township). The Authority also reduced an area of slope easement originally requested. As a result of these changes and other minor acreage discrepancies discovered during finalization of the deeds for this transaction, the total acreage involved in this application increased from 7.783 acres to 7.834 +/- acres, the final cash compensation figure increased from \$332,680 to \$351,080 and the final proposed replacement land acreage increased from 9 acres to 13 acres. In addition, subsequent to the approval, Hamilton Township combined Block 2732, Lots 3 & 4 into a new tax lot now known as Block 2732, Lot 3.01.

8. Project: Unnamed Parklands, Block 92, Lots 20 & 21, Block 92.01, Part of Lot 1, Block 93, Part of Lot 3 & Part of Lot 10, Bordentown Township, Burlington County

Requesting Party: The NJ DEP, on behalf of the Township of Bordentown, requests approval to allow the Township to dispose of approximately 6.992 +/- acres of parkland to the NJ Turnpike Authority for the NJ Turnpike 6-9 Widening Program.

Terms: On July 2, 2010, the SHC approved an application to allow the disposal of approximately 6.918 +/- acres of parkland to the NJ Turnpike Authority for the NJ Turnpike 6-9 Widening Program. As compensation, the Authority agreed to acquire and transfer to the Township approximately 18 acres of Block 129, Lot 18 in Bordentown Township to be used by the Township as dedicated public parkland subject to regulation by the DEP, Green Acres Program.

This amended summary is to correct three typographical errors: 1) the proposed compensation lot was misidentified on the summary page as Block 129, Lot 19 (instead of Block 129, Lot 18); 2) the summary page listed the diverted parcel as part of Block 92, Lot 21, when it is in fact, the entire lot, and 3) on page 5 of the original summary, one of the diverted parcels was misidentified as Block 92, Lot 3 (instead of Block 92, Lot 10). The acreage proposed for diversion is unchanged, but the acreage proposed for compensation actually increased by one acre.

The Turnpike Authority has determined that it cannot meet the two year deadline for conveying the proposed compensation land (currently owned by the Authority) to Bordentown Township. The Authority needs a two year extension of this deadline in order to allow it to continue to use the proposed compensation property as a staging area for the Turnpike Widening Project for at least 18 months and then complete the transfer of the property to the Township. In addition, based on a revised survey, the acreage of the proposed compensation land has increased by one acre (from 17 acres to approximately 18 acres).

NEW BUSINESS:

DEPARTMENT OF TREASURY REQUEST:

9. RPR #13-17, Block 875.04, Part of Lot 1.01, Galloway Township, Atlantic County

Requesting Party: The NJ Department of the Treasury, on behalf of Richard Stockton College of New Jersey, requests approval to convey approximately 1.354 +/- acres of vacant land located on the grounds of the Richard Stockton State College to the NJ Turnpike Authority for a road improvements project. As part of this project, it will also be necessary to grant easements to Atlantic County.

Terms: The NJ Turnpike Authority shall install, as part of the construction contract, supplemental guide signs for the College on the northbound and southbound approaches to Interchanges 41 & 44. Since this action directly benefits the State, the conveyance and easements will be granted for \$1.00. Real Property Review clearance was completed with no Department or Agency expressing formal interest or possible conflict with the proposed action.

10. RPR #13-18, Block 37.02, Lot 49, Franklin Township, Somerset County

Requesting Party: The NJ Department of the Treasury, requests approval to lease a DEP residential property to Carlos and Darlene Green for \$1,500 per month, appraised rental value.

Terms: The lease will be for a one year term, with two, one year renewal options with annual increases based on the consumer price index for housing. This property is a two bedroom, one bath, ranch style single family house. Real Property Review clearance is expected to be completed if no Department or Agency expresses formal interest or possible conflict with the proposed action.

11. RPR #13-21, East Hall, Hagedorn Psychiatric Hospital, Block 9, Part of Lot 7, Lebanon Township, Hunterdon County

Requesting Party: The NJ Department of the Treasury, DPMC, requests approval to lease the property known as the East Hall, located on the grounds of the Hagedorn Psychiatric Hospital to GenPsych, LLC, (Henry Odunlami, M.D, Principal Managing Member) to be used for rehabilitation and addiction services.

Terms: The annual rental shall be \$804,468, upon fit out, and the lease term shall be for five years, with three, five year renewal options. Lessee shall be responsible for all utilities supplied to the premises. Real Property Review clearance will be completed if no Department or Agency expresses formal interest or possible conflict with the proposed action.

12. RPR #13-24, Block 2, Part of Lot C, Jersey City, Hudson County

Requesting Party: The NJ Department of the Treasury, on behalf of the Department of Military & Veterans Affairs, requests approval to grant easements to the Jersey City Municipal Utilities Authority for the installation, access and maintenance of electrical conduits and associated control panels necessary to power submersible

pumps in their sewer system. This request will be part of a three phase project necessary to stabilize the shoreline, connect walkways and establish a park on the site.

Terms: Since this project directly benefits the State, the easements will be granted for \$1.00. Real Property Review clearance will be completed if no Department or Agency expresses formal interest or possible conflict with the proposed action.

DEPARTMENT OF TRANSPORTATION (DOT) REQUESTS:

13. Project: Route 9W, Section 1, Parcels VX74A2 & VX74C, Block 5053, Now Lot 5.01 & 5.03, Fort Lee Borough, Bergen County

Requesting Party: The NJ DOT, Division of Right of Way, Property Management Unit, requests approval to sell by direct sale to the adjoining property owner, Fletcher West, LLC, (Seligman & Phyllis Rosenberg, Principal Managing Members), two land locked parcels of land; Parcel VXR74A2 (approximately 600 square feet) and Parcel VX74C (approximately 1,318 square feet). Parcel VX74C has one other adjoining property owner, who did not express any interest in acquiring Parcel VX74C.

Terms: The recommended sale price is \$84,000, appraised value. The parcels are to be used to increase parking and to have better vehicle circulation for the requestor's commercial property.

14. Project: Route 78, Section 5G, Parcel VX49A, Block 2726, Lot 59, Newark City, Essex County

Requesting Party: The NJ DOT, Division of Right of Way, Property Management Unit, requests approval to sell by direct sale to an adjacent property owner, 225 Elizabeth Realty, LLC, (Gershon Matiteeb, Principal Managing Member), a 2,036 +/- square foot parcel of property located within the I-2 Second Industrial District of the City of Newark.

Terms: The recommended sale price is \$16,000, fair market value. The parcel will be used to assemble to the requestor's existing adjacent commercial property for additional parking.

15. Project: Route 130, Section 14, Parcel VX40, Block 2, Adjacent to Lot 16, Robbinsville (Washington Township), Mercer County

Requesting Party: The NJ DOT, Division of Right of Way, Property Management Unit, requests approval to sell by direct sale to the only adjoining property owner, Joanne Seefelt Elliott, for assemblage to her residential property, an irregular shaped vacant lot containing approximately 0.297 acres (12,937 square feet).

Terms: The recommended sale price is \$63,000, fair market value. The parcel will be used to assemble to the requestor's residential property to assist in the possible commercial development of her property.

16. Project: FAI-101-5-(2), aka Route 80, Parcels VX231A2 & V230B2, Bogota City, Bergen County

Requesting Party: The NJ DOT, Division of Right of Way, Property Management Unit, requests approval to sell by direct sale an approximately 940 square foot +/- parcel to the only adjoining property owner, Rolando & Lily Flores, to add to their residential property.

Terms: The recommended sale price is \$2,000, appraised value. The parcel sits adjacent to and behind the requestor's property and next to the sound wall for Route 80. The property will give them additional back yard which will allow for the accommodation of a shed.

DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP) REQUESTS:

17. Project: 24 Farm Leases on Park & Forestry Areas throughout the State as follows:

- (1) Delaware & Raritan Canal State Park, Block 100, Part of Lot 3.08, South Brunswick Township, Middlesex County-First Field LLC/Theresa Viggiano (2.00 +/- acres @ \$123 annually)
- (2) Delaware & Raritan Canal State Park, Block 100, Part of Lot 3.08, South Brunswick Township, Middlesex County-Terra Momo Restaurant Group/Raoul Momo (2.00 +/- acres @ \$122 annually)
- (3) Delaware & Raritan Canal State Park, Block 59, Lot 10, Delaware Township, Hunterdon County-Thomas Michalenko (42.64 +/- acres @ \$1,127 annually)
- (4) Monmouth Battlefield State Park, Block 21, Part of Lot 12.02 & 13.07, South Brunswick Township, Middlesex County-Alan Habiak (98.58 +/- acres @ \$5,422 annually)
- (5) Round Valley Recreation Area, Block 14, Lots 10, 10-C, 10F, 11 & 13, Block 48, Lot 11.06, Hillsborough Township, Somerset County-Richard N. Norz (127.50 +/- acres @ \$7,722 annually)
- (6) Round Valley Recreation Area, Block 77, Lot 1, Block 67, Lot 2.03, Branchburg Township, Somerset County-Richard Norz (84.86 +/- acres @ \$3,525 annually)
- (7) Spruce Run Recreation Area, Block 8, Lot 11, Block 9, Lot 41, Harmony Township, Warren County-Ben Tjalma (94.18 +/- acres @ \$17,085 annually)
- (8) Spruce Run Recreation Area, Block 9, Lot 53, Harmony Township, Warren County-Ben Tjalma (38.37 +/- acres @ \$7,212 annually)
- (9) Spruce Run Recreation Area, Block 9, Lots 20 & 20.01, Harmony Township, Warren County-Mitchell Jones (23.17 +/- acres @ \$1,440 annually)
- (10) High Point State Park, Block 146, Lot 5.02, Wantage Township, Sussex County-Edward Zydell (6.21 +/- acres @ \$545 annually)
- (11) High Point State Park, Block 31, Lot 2.02, Wantage Township, Sussex County-Ronald G. Young (6.37 +/- acres @ \$166 annually)

- (12) High Point State Park, Block 4, Lot 52, Montague Township, Sussex County-Ronald G. Young (12.09 +/- acres @ \$600 annually)
- (13) High Point State Park, Block 156, Lots 20.01 & 21.01, Wantage Township, Sussex County-George DeGroot (25.38 +/- acres @ \$1,003 annually)
- (14) Jenny Jump State Forest, Block 1000, Lot 2900, Block 100, Lot 1100, Hope Township, Warren County-Eugene Makarevich/Makarevich Farms (68.21 +/- acres @ \$7,122 annually)
- (15) Jenny Jump State Forest, Block 501, Part of Lot 3, Allamuchy Township, Warren County-John Semanchik (19.64 +/- acres @ \$752 annually)
- (16) Wawayanda State Park, Block 91, Part of Lot 6, Vernon Township, Sussex County-Robert Baldwin (21.54 +/- acres @ \$949 annually)
- (17) Wawayanda State Park, Block 93, Part of Lot 5, Vernon Township, Sussex County-John Dayon (3.59 +/- acres @ \$145 annually)
- (18) Wawayanda State Park, Block 93, Part of Lot 8, Block 94, Part of Lot 3, Vernon Township, Sussex County-Anthony Rudinski (66.58 +/- acres @ \$2,106 annually)
- (19) Belleplain State Park, Block 53, Lots 64 & 65.01, Dennis Township, Cape May County-Thomas Buganski (19.90 +/- acres @ \$945 annually)
- (20) Fort Mott State Park, Block 5301, Lot 4, Pennsville Township, Salem County-Robert Todd Gaum (16.13 +/- acres @ \$1,969 annually)
- (21) Stow Creek State Park, Block 33, Lot 8, Block 34, Lot 17, Stow Creek Township, Cumberland County-Robert Todd Gaum (25.77 +/- acres @ \$2,402 annually)
- (22) Delaware & Raritan Canal State Park, Block 14, Part of Lot 28.02, Kingwood Township, Hunterdon County-Thomas Michalenko (40.58 +/- acres @ \$1,271 annually)
- (23) Delaware & Raritan Canal State Park, Block 14, Part of Lot 28.02, Kingwood Township, Hunterdon County-Russell Oakes-No bids were offered on this property at the public auction and Mr. Oakes had been using this parcel under permits issued annually. Mr. Oakes expressed a willingness to enter into a farm lease for the minimum bid and under the terms that had been advertised (2.09 +/- acres and \$70 annually).
- (24) High Point State Park, Block 94, Part of Lot 3, Vernon Township, Sussex County-Anthony Rudinski (32.02 +/- acres @ \$800 annually)

Requesting Party: The NJ DEP, Division of Parks & Forestry, requests approval to enter into 24 separate five year lease agreements with options to renew for five years on parcels of land located on park and forestry areas through the State.

Terms: Twenty-three of the new leases were competitively bid at live public auctions held in the northern, southern and central regions of the State. The auctions were advertised in 8 newspapers through the State as well as posted on the websites of the DEP and the State Agriculture Development Committee. No bids were received on one of the premises. The individual who has been using this premises under permits issued annually approached the DEP after the live public auctions and expressed a willingness to enter into a farm lease for the minimum bid and under the advertised

terms. Opinion by the Attorney General's office advised it as acceptable to enter into a lease with this individual if no farmers expressed an interest in farming the land.

Minimum bids were established by using soil rental rates set by the Farm Service Agency (FSA) of the U. S. Department of Agriculture. Rates are based on the composition and productivity of each soil type found in NJ; the more productive the soil, the higher the rental value. As a result of discussions and negotiations with the Department of Agriculture and the NJ Farm Bureau, the DEP agreed to reduce the FSA rental rate for each parcel by 20% to account for the disadvantages of farming on park and forestry areas. The disadvantages include: the statutory requirement that the farmed lands be used for public hunting (during hunting seasons prescribed by the DEP); restrictions on when crops can be harvested to avoid damage from hunting; restrictions on the types of crops that can be grown; and the inability to control wildlife damage, such as deer fencing or wildlife depredation permits.

18. Project: 3 Farm Leases on Park & Forestry Areas throughout the State as follows:

- (1) Delaware & Raritan Canal State Park, Block 17.01, Lot 11.02, Block 18, Lot 38, Alexandria Township, Hunterdon County-Ron & Joanna Kappus (21.19 +/- acres @ \$671 annually)
- (2) Delaware & Raritan Canal State Park, Block 52, Lots 36.05 and 36.06, Frenchtown Borough, Hunterdon County-Michael Gross (23.39 +/- acres @ \$926 annually)
- (3) High Point State Park, Block 146, Lot 6, Wantage Township, Sussex County-Joe Wagner (34.86 +/- acres @ \$1,076 annually)

Requesting Party: The NJ DEP, Division of Parks & Forestry, requests approval to enter into 3 separate five year lease agreements with options to renew for five years on parcels of land located on park and forestry areas through the State.

Terms: Twenty-three of the new leases were competitively bid at live public auctions held in the northern, southern and central regions of the State. Three were not included at the live public auctions because the DEP had determined that there currently is no direct access to the premises from a public road nor are the premises accessible through other properties managed by the Division of Parks & Forestry.

The individual tenants who have been using these premises under permits issued annually approached the DEP after the public auctions and expressed a willingness to enter into a farm lease for the minimum bid, and under the terms that had been advertised. The Attorney General's office has advised that it is acceptable.

Minimum bids were established by using soil rental rates set by the Farm Service Agency (FSA) of the U. S. Department of Agriculture. Rates are based on the composition and productivity of each soil type found in NJ; the more productive the soil, the higher the rental value. As a result of discussions and negotiations with the Department of Agriculture and the NJ Farm Bureau, the DEP agreed to reduce the FSA rental rate for each parcel by 20% to account for the disadvantages of farming

on park and forestry areas. The disadvantages include: the statutory requirement that the farmed lands be used for public hunting (during hunting seasons prescribed by the DEP); restrictions on when crops can be harvested to avoid damage from hunting; restrictions on the types of crops that can be grown; and the inability to control wildlife damage, such as deer fencing or wildlife depredation permits.

19. Project: 8 Farm Lease and Service Agreements on Wildlife Management Areas throughout the State as follows:
- (1) Harrisonville Lake, Block 17, Lot 4, Pilesgrove Township, Salem County-CGK Farm Properties, LLC (26.30 +/- acres @ \$2,715 annually + In-Kind Services Valued @ \$1,420 annually)
 - (2) Logan Pond, Block 257, Lot 1, Greenwich Township, Gloucester County-CGK Farm Properties, LLC (12.26 +/- acres @ \$741 annually/No In-Kind)
 - (3) Mantua Creek, Block 375, Lot 3, West Deptford Township, Gloucester County-Joseph A. Leone (14.42 +/- acres @ \$2,387 annually + In-Kind Services Valued @ \$50 annually)
 - (4) Salem River 5, Block 40, Lot 6.03, Mannington Township, Salem County-Robert K. Sloat/Sloat Bros. Farms (76.52 +/- acres @ \$21,045 annually + In-Kind Services Valued @ \$2,050 annually)
 - (5) Salem River 6, Block 41, Lot 8, Pilesgrove Township, Salem County-CGK Farm Properties, LLC (24.98 +/- acres @ \$5,051 annually + In-Kind Services Valued @ \$400 annually)
 - (6) Salem River 7, Block 37, Lot 6, Mannington Township, Salem County-Robert K. Sloat/Sloat Bros. Farms (19.54 +/- acres @ \$4,734 annually + In-Kind Services Valued @ \$150 annually)
 - (7) Raccoon Creek 2, Block 1704, Lot 12, Logan Township, Block 6, Lots 4.01 & 4.02, Woolwich Township, Gloucester County-CGK Farm Properties, LLC (38.34 +/- acres @ \$3,670 annually + In-Kind Services Valued @ \$900 annually)
 - (8) Lockatong, Block 13, Lot 2, Block 20, Lots 2 & 6, Block 38, Lot 20, Kingwood Township, Hunterdon County-Wesley Pandey (35.36 +/- acres @ \$1,250 annually + In-Kind Services Valued @ \$600 annually)

Requesting Party: The NJ DEP, Division of Parks & Forestry, requests approval to enter into 8 separate five year lease agreements with options to renew for five years on parcels of land located on wildlife management areas through the State.

Terms: The new leases were competitively bid at live public auctions held in the northern, southern and central regions of the State. The auctions were advertised in eight newspapers throughout the State, as well as posted on the websites of the DEP and the State Agriculture Development Committee.

Minimum bids were established by using soil rental rates set by the Farm Service Agency (FSA) of the U. S. Department of Agriculture. Rates are based on the composition and productivity of each soil type found in NJ; the more productive the soil, the higher the rental value. As a result of discussions and negotiations with the Department of Agriculture and the NJ Farm Bureau, the DEP agreed to reduce the FSA rental rate for each parcel by 20% to account for the disadvantages of farming

on wildlife management areas. The disadvantages include: the statutory requirement that the farmed lands be used for public hunting (during hunting seasons prescribed by the DEP); restrictions on when crops can be harvested to avoid damage from hunting; restrictions on the types of crops that can be grown; and the inability to control wildlife damage, such as deer fencing or wildlife depredation permits.

Each tenant will receive a reduction in rent based on the value of in-kind services that they will be required to provide on a separate parcel of land within the same WMA. Services may include: mowing, plowing, planting warm season grasses, and other activities to assist the DEP in maintaining and protecting wildlife habitat. This service obligation is a result of the significant reduction in staff of the Division of Fish & Wildlife and the need for assistance in maintaining wildlife management areas.

20. Project: Clinton WMA, Turner House, Block 11, Part of Lot 2, Union Township, Hunterdon County

Requesting Party: The NJ DEP, Division of Fish & Wildlife, requests approval to lease a building and the surrounding 1.4 acres to the Union Forge Heritage Association ("Association"), a non-profit organization that is dedicated to the mission of promoting, researching and providing interpretive programming of early American history in Hunterdon County.

Terms: The lease term is for 20 years. The Association proposes to renovate the historic structure and use it for its administrative headquarters and as a public interpretive facility. The Association will also be responsible for the upkeep and maintenance of the property and pay for all utility services. A one time payment of \$20. The Association estimates its monthly costs for utilities and upkeep to be \$1,200 per month. The total value of the services the Association will be providing for the first ten years of the lease is estimated at \$400,000 to \$500,000 through improvements, maintenance, upkeep, utility payments, interpretive services and programming.

21. Project: Delaware & Raritan Canal State Park, Block 1043, Part of Lot 5, Lambertville City, Hunterdon County

Requesting Party: The NJ DEP, Division of Parks & Forestry, requests approval to lease an existing 10-inch sewer line (in a three foot wide utility right of way) to the Lambertville Municipal Utilities Authority. The line, which was installed in the 1950's, runs north from the site of the Authority's sewage treatment plant (also located on the Canal Park) under the entrance driveway to the State Park and crosses the Delaware and Raritan Canal at the Swan Creek.

Terms: The lease term is for 20 years. In accordance with the recommendations of the August 2011 Interagency Lease Task Force Report, the proposed rental rate is \$0.05 per square foot with a 2.5% annual escalator.

DIVISION OF PENSIONS AND BENEFITS' REQUESTS:

22. Judicial Retirement System -
Requesting Party: The NJ Department of the Treasury, Division of Pensions & Benefits

Terms: The SHC shall sit as the Board of Trustees for the Judicial Retirement System to approve the following:

1. Approval of the Minutes of the Meeting Held on December 6, 2012
2. Confirmation of Death Claims, Retirements & Survivor Benefits
3. Receive Financial Statements from August, 2012 to December, 2012
4. Presentation by the Actuary of the July 1, 2012 Judicial Retirement System Valuation Report

EXECUTIVE SESSION (as necessary)

OTHER BUSINESS (as necessary)

ADJOURNMENT

Commission Meeting

of

STATE HOUSE COMMISSION

LOCATION: Committee Room 7
State House Annex
Trenton, New Jersey

DATE: May 6, 2013
9:00 a.m.

MEMBERS OF COMMISSION PRESENT:

Dominick DiRocco, Chair
Senator Bob Smith
Senator Gerald Cardinale
Assemblyman Paul D. Moriarty
Assemblyman David P. Rible
Charlene M. Holzbaur
Robert A. Romano



ALSO PRESENT:

Robert J. Shaughnessy
Secretary

Gary A. Kotler
Counsel

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

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submitted by
David Driscoll

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rs:1-79

DOMINICK DiROCCO (Chair): Good morning, ladies and gentlemen. Good morning State House Commission members. This is the May 6, 2013 meeting of the State House Commission. We're on the record.

Can we have the Open Public Meetings Act read please?

MR. SHAUGHNESSY (Secretary): Yes, sir.

Good morning.

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

MR. DiROCCO: And a roll call, please.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Here.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Here.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Here.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Here.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Here.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Here.

MR. SHAUGHNESSY: Thank you.

Under old business first: approval of the December 6, 2012 State House Commission meeting minutes. May I have a motion?

SENATOR CARDINALE: So moved.

MR. SHAUGHNESSY: Second?

DEPUTY TREASURER ROMANO: Second.

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

Abstentions? (no response)

That matter is approved.

Number 2.

ASSEMBLYMAN MORIARTY: I'm sorry, I have to abstain on No. 1. I'm sorry. I wasn't here for that meeting.

MR. SHAUGHNESSY: Thank you.

No. 2 we're going to hold to a later section of the meeting.

Moving on under old business is No. 3: RPR 11-09, Bank Street Garage, Block 3803, part of 2.01, Trenton.

This project was previously approved by the State House Commission at its May 2, 2011 meeting. However, the temporary construction easement that was granted to PSEG has expired and a new temporary construction easement must now be granted in order to complete an environmental remediation project.

The temporary construction easement will be granted for \$1. the work will not interfere with the operations of the garage.

May I have a motion for that?

SENATOR CARDINALE: So moved.

MR. SHAUGHNESSY: Second?

DEPUTY TREASURER ROMANO: Second.

MR. SHAUGHNESSY: I'll call the roll.

Oh, welcome, Senator Smith. Thank you very much.

SENATOR SMITH: Route 1. Need I say more? (laughter)

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The matter is approved

No. 4 is Swartswood State Park, Block 1901, part of Lot 9,
Hampton Township, Sussex County.

DEP is requesting to clarify conditions under which a right of
first refusal would be triggered, as mentioned in the agenda.

Do I have a motion for that?

SENATOR SMITH: So moved.

MR. SHAUGHNESSY: Second?

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Okay, I will call the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The matter is approved.

No. 5 is Kittatinny Valley State Park/Paulinskill Valley Trail, Block 302, part of Lot 1, Knowlton Township, Warren County.

DEP is requesting a resubmission of an application to correct certain acreage discrepancies and clarify there will be a 10-acre exception area within the conservation/agricultural easement area within which the Semiaos, who had previously -- granted this right, may construct one single-family residence.

Do I have a motion?

SENATOR CARDINALE: So moved.

MR. SHAUGHNESSY: Second?

ASSEMBLYMAN MORIARTY: Second.

MR. SHAUGHNESSY: Motion and second.

Any discussion by the members? (no response)

Any public members? (no response)

I'll take the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: That matter is approved.

Continuing on under old business, No. 6.

SENATOR SMITH: Before you go further with that--

MR. SHAUGHNESSY: Yes, Senator Smith.

SENATOR SMITH: The party referenced in that is G-I Holdings, Inc. Any idea who that is?

MR. DiROCCO: On No. 6?

MR. SHAUGHNESSY: On the LLCs that you have later on, you have the managing members listed. All the attorneys on the panel should always be careful that there is not a client hidden in there someplace. Does anyone know who G-I Holdings is?

MR. DiROCCO: It's the former GAF Materials. I don't know if that helps.

MR. SHAUGHNESSY: Ms. Yeany is here from DEP to assist.

J U D E T H P I C C I N I N I Y E A N Y: Yes, Judeth Yeany from the DEP.

I was going to mention that it's the successor corporation to the GAF. I believe when we originally--

SENATOR SMITH: GAF, the large, international--

MS. PICCININI YEANY: Yes. When we originally submitted the agenda, I believe we gave the corporate information. But I think we neglected to do that on the corrected agenda item.

SENATOR SMITH: Is this a publicly traded--

MS. PICCININI YEANY: Yes, it is.

SENATOR SMITH: No problem.

MR. DiROCCO: Any other discussion on that?

MR. SHAUGHNESSY: Moving on to No. 7 under old business on the agenda.

SENATOR SMITH: We didn't take a vote.

MR. SHAUGHNESSY: Oh, thank you. My fault.

SENATOR SMITH: And I don't think you did your description.

MR. SHAUGHNESSY: Motion for that?

SENATOR SMITH: Did you do your description on the matter?

MR. SHAUGHNESSY: Yes.

SENATOR SMITH: Okay.

MR. SHAUGHNESSY: Motion?

SENATOR SMITH: Happy to move it.

MR. SHAUGHNESSY: Second?

ASSEMBLYMAN RIBLE: Second.

MR. SHAUGHNESSY: Moved and seconded. Any discussion?

(no response)

Any public comment? (no response)

I'll call the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The matter is approved.

Now on to No. 7 under old business: Lenox County Park and Nami Tract, Assunpink Wildlife Management Area, Block 44, part of Lot 6, Block 45, part of Lot 17, Block 45, part of Lot 18, East Windsor Township; Block 2732, part of Lot 3.01, Hamilton Township; Block 19, part of Lot 15, Robbinsville Township.

DEP requests-- The State House Commission previously approved an application by Mercer County to dispose of and/or divert approximately 7.783 acres of parkland to the New Jersey Turnpike Authority for the New Jersey Turnpike Interchange 6-9 widening program. As compensation, the Authority agreed to pay \$332,680 to be used as a contribution toward: (1) the purchase by East Windsor Township of approximately 9 acres of replacement parkland, and (2) the purchase by the DEP of other lands for addition to the Assunpink Wildlife Management Area.

Subsequent to approval, the Authority requested a small area originally intended as a utility easement be enlarged slightly and conveyed in fee from the County to the Authority. The Authority also reduced an area of slope easement originally requested.

Do I have a motion on this matter?

SENATOR CARDINALE: So moved.

MR. SHAUGHNESSY: Second?

ASSEMBLYMAN MORIARTY: Second.

MR. SHAUGHNESSY: Okay, motioned and seconded.

Any member discussion? (no response)

Any public members here to comment? (no response)

Hearing none, I will call the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: I'm going to abstain. I don't have any comment really on the application. But I seem to remember that I have a client down in that area. I don't think the client is in any way involved. The parties are governmental. But just to be safe I'm going to abstain.

MR. SHAUGHNESSY: Thank you, Senator.

Noted Senator Smith's abstention.

Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: That matter is approved.

No. 8 under old business: This is certain unnamed parks, Block 92, Lots 20 & 21; Block 92.01, part of Lot 1; Block 93, part of Lot 3 and part of Lot 10, Bordentown Township.

DEP requests approval to allow the Township to dispose of approximately 6.992 plus-or-minus acres of parkland to the New Jersey

Turnpike Authority for the New Jersey Turnpike 6-9 widening program.

The State House Commission previously approved an application to allow the disposal of approximately 6.918 plus-or-minus acres of parkland to the New Jersey Turnpike Authority for the New Jersey Turnpike 6-9 widening program.

As compensation, the Authority agreed to acquire and transfer to the Township approximately 18 acres of Block 129, Lot 18 in Bordentown Township to be used by the Township as dedicated public parkland. This amended action is to correct three typographical errors as more particularly described in your agenda.

Do I have a motion for this?

ASSEMBLYMAN MORIARTY: I'll make that motion.

MR. SHAUGHNESSY: Thank you, Assemblyman.

Second?

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Any discussion from members? (no response)

Any public comment? (no response)

Hearing none, Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: That matter is approved.

Okay, on to new business.

This is No. 9 on the agenda: RPR 13-17, Block 875.04, part of Lot 1.01, Galloway Township, in Atlantic County.

Treasury, on behalf of Richard Stockton College of New Jersey, requests approval to convey approximately 1.354 plus-or-minus acres of vacant land located on the grounds of the Richard Stockton State College to the New Jersey Turnpike Authority for a road improvements project. As part of the project, it will also be necessary to grant easements to Atlantic County.

The New Jersey Turnpike Authority shall install, as part of the construction contract, supplemental guide signs for the College on the northbound and southbound approaches to Interchanges 41 and 44. Since this action directly benefits the State, the conveyance and easements will be granted for \$1.

May I have a motion?

SENATOR SMITH: So moved.

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Motioned and seconded.

Any member discussion? (no response)

Any public members here? (no response)

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: That matter is approved.

No. 10: 13-18, Block 37.02, Lot 49, Franklin Township,
Somerset County.

Treasury requests approval to lease a residential property to
Carlos and Darlene Green for \$1,500 a month, the appraised value.

Do I have a motion for that?

SENATOR CARDINALE: I have a couple of questions.

ASSEMBLYMAN MORIARTY: I do, too.

SENATOR CARDINALE: How did we locate the tenant?

MR. SHAUGHNESSY: Through word of mouth, from my
understanding.

SENATOR CARDINALE: When you say *word of mouth*, was the property advertised? Was the general public given the opportunity to--

MR. SHAUGHNESSY: No, sir. I think it was through neighbors. It was just word of mouth.

SENATOR CARDINALE: When did it become vacant?

MR. SHAUGHNESSY: I'm not sure, Senator, of that.

SENATOR CARDINALE: I notice that the term is a one-year term. Most of the leases are greater than a one-year term. Is there any particular explanation for that?

MR. SHAUGHNESSY: It's a one-year term with the State's option of two, one-year renewals. So it's really for one year, but there are two, one-year renewal options in the lease which we based upon CPI.

SENATOR CARDINALE: All right. It is-- Those options are on the part of the tenant, are they not?

MR. SHAUGHNESSY: They have to be the State's option, as well. The State needs to-- It's a mutual option.

SENATOR CARDINALE: If it's a mutual option, there doesn't seem to me to be an option at all.

MR. DiROCCO: It's essentially a three-year lease unless somebody wants to walk away, I guess.

SENATOR CARDINALE: We've established a policy of trying to rent these in sort of an arm's-length direction over the years. And I'm not comfortable -- if we haven't advertised it and given the general public an opportunity to be a tenant, it's easy for the public to believe that we make insider deals all the time, and they think the worst of us. And if we

don't have a strict policy of making these kinds of properties available to everyone, it seems to me that we support that perception.

I don't know if anybody else has that thought, but--

MR. DiROCCO: Do the members have any comments or questions?

Assemblyman.

ASSEMBLYMAN MORIARTY: Yes, thank you.

I agree with Senator Cardinale. I think the perception can be that we have insider deals or friends and family if we don't advertise this.

But why do we own this house?

MR. SHAUGHNESSY: We own this house -- the State owns it. The State acquired it a number of years ago, and DEP acquired it quite some time ago I think. And Treasury administers it on behalf of the DEP.

ASSEMBLYMAN MORIARTY: Why aren't we selling the house?

MR. SHAUGHNESSY: I don't think we can. My understanding, through DEP, is that it can't be sold.

ASSEMBLYMAN MORIARTY: Is there anyone from DEP who can answer that? Because it looks like it's in a row of other houses.

Can you provide some insight?

MS. PICCININI YEANY: I don't think I can totally answer the question. But based on the location, my assessment is that the properties we acquired in Franklin Township, Somerset County, are in what's called the Six Mile Run area. And that was an area that was acquired for reservoir purposes. So we've had this question come up before about whether we can surplus these properties. I think some of the tenants

are associated with the original owners and have wanted to stay in the properties. And then the other properties -- we've left the houses standing because the reservoir hasn't been built yet.

But by the same token, the properties -- a lot of them are acquired with water bond funds. The reservoir has never officially been decommissioned. And so the feeling has been that we can't sell off the properties. It doesn't mean that we couldn't demolish them. But I don't know what that evaluation has been.

ASSEMBLYMAN MORIARTY: I just think wherever possible we should be out of the landlord business. But I understand what you're saying. And to demolish it would mean we get nothing. So that would be my concern. If we could get rid of properties we should do so, so we don't have to be landlords. And I agree with Senator Cardinale that this should be -- everyone should have the opportunity to apply.

SENATOR SMITH: How long will that process take?

MR. SHAUGHNESSY: Advertising? (affirmative response)
We could put an ad in the paper. I mean, it would probably take a month or two -- I mean, just putting an ad in the paper and seeing what we get.

SENATOR SMITH: Based on Senator Cardinale's comments, why don't we adjourn this to the next State House Commission and, in the interim, follow the notice and advertising procedures?

MR. DiROCCO: I've learned a little bit about--

These leases are unique.

And I think you're right, Assemblyman Moriarty. I don't necessarily think the State is really well-suited to be a residential landlord.

And to Senator Cardinale's point, I certainly think we should maximize whatever value we can get out of the property.

I've learned a little more about these properties which are unique with respect to the potential reservoir that has never been built and may never be built. Some of these houses are very old. The tenants maintain them. To a certain degree there is a benefit to having a tenant who is willing to take the property and maintain it.

We can certainly take a month to advertise it and see if we can get a better deal. I'm just curious as to whether the Green's are going to then find some other accommodation and then maybe we get stuck with the property for six months without a tenant in it, without any rent coming in. And if it's fair market value -- or appraised rental value, I'm personally comfortable with it. But I don't want to speak for anyone else on the board.

SENATOR SMITH: Are they in the property now?

MR. SHAUGHNESSY: No.

SENATOR SMITH: So the property is abandoned now.

MR. SHAUGHNESSY: That's correct.

SENATOR SMITH: How long has it been vacant?

MR. SHAUGHNESSY: I'm not certain exactly -- some time.

But to the Chair's point, we've had break-ins, vandalisms in properties that have been vacant -- pipes have been taken out and things like that. So keeping a property vacant is not the best stewardship.

MR. DiROCCO: And I think with respect to these potential tenants, they have a real interest in getting in quickly. Is that right?

MR. SHAUGHNESSY: Yes.

MR. DiROCCO: So, I mean, personally I kind of feel it's the appraised rental value, getting the tenant in quickly. It's a two-bedroom ranch. The rent doesn't jump out to me as being particularly troublesome. I don't know much about the area, so I'm not going to pretend like I'm an expert in the real estate market. But I personally feel like it might be a good opportunity to get a tenant in (indiscernible).

ASSEMBLYMAN MORIARTY: Thank you for that explanation, Mr. Chairman. With that explanation I would support this today because it's vacant, and we don't want it to get further destroyed. And someone is going to come in. But can we have some kind of pledge that, going forward, we'll try to -- we'll always advertise so that we can make sure that we get away from the perception that we're finding friends and family and giving them sweetheart deals, which we don't want to be a party to? It's not saying that's what happened here, but it can lead to that perception, as Senator Cardinale has said.

MR. SHAUGHNESSY: If that makes the Commission more comfortable, absolutely.

SENATOR CARDINALE: Why don't we make that a real policy--

MR. DiROCCO: How do we establish that as a policy?

SENATOR CARDINALE: --that we will, when premises becomes vacant, we will advertise them at the appraised value and seek tenants in that kind of modality rather than word of mouth, which sounds to me-- The photo of this property is not really very clear. But from what I can see of the photo, it looks like it's a decent piece of real estate. And I have no knowledge of the area either, and I don't know whether \$1,500 is a

low rent, high rent, or what it is. But I can accept the appraiser's judgement, because that's their profession. But like the Assemblyman, I would withdraw my objection if we have a firm policy that we're going to, as these properties become vacant, advertise them.

MR. DiROCCO: Assemblyman.

ASSEMBLYMAN RIBLE: I agree with the Senator. The only question I have for you -- because we do get these -- what about renewals? Are we going to advertise for renewals? Because lease renewals come up here all the time as well. Are we going to make that fair? Once these people get in, are we going to allow them to automatically-- I mean, I'm just trying to -- so we can get this done once and for all.

MR. DiROCCO: Right. It's a good question.

Bob, how does it work? So on this particular one, for example, with a one-year agreement, two-year renewal option, that the three years will be locked in at that rent. But then at that point, at the commencement of the fourth year, we would need to go back out to bid, basically, for it.

MR. SHAUGHNESSY: That's correct. If the parties did not agree to the renewals then we would go back out to bid after the initial term and the renewals, or it could be reappraised.

MR. DiROCCO: And I guess in that instance, if we have a tenant who is a good tenant, and we have-- So at the end of the three-year lease agreement, we could do another appraisal and find out what the fair market value is. If there is an increase, the tenant has to pay the increase. But I don't think at that point we need to go out to the larger--

You're not suggesting that, right, Assemblyman?

ASSEMBLYMAN RIBLE: No, I'm just double checking so we're not-- Like I said, let's just fix this today and be done with it so we have it right.

MR. DiROCCO: Right. I think it makes perfect sense.

MR. SHAUGHNESSY: We typically raise, in renewal terms, by CPI so there is an increase if there is a renewal.

Any further member discussion? (no response)

Any public members here for discussion? (no response)

I'll just call the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Oh, there was no motion and second?

Pardon me.

MR. DiROCCO: I'll make the motion.

MR. SHAUGHNESSY: Motion.

And second?

ASSEMBLYMAN RIBLE: Second.

MR. SHAUGHNESSY: Roll call: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The matter is approved.

No. 11 on the agenda: RPR 13-21, East Hall, Hagedorn Psychiatric Hospital, Block 9, part of Lot 7, Lebanon Township, Hunterdon County.

Treasury requests approval to lease the property known as East Hall, located on the grounds of the Hagedorn Psychiatric Hospital, to GenPsych, LLC -- Henry Odunlami, M.D, Principal Managing Member -- to be used for rehabilitation and addiction services. The annual rental shall be \$804,468, upon fit out, and the initial lease term shall be for five years.

This is at the former Hagedorn Hospital. It has been vacated and closed. And this is one of the empty buildings there.

Any discussion on this matter?

Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Thank you.

Can you tell us the square footage of this? I couldn't find that anywhere. That's number one.

And number two: It says “upon fit out.” Does that-- I’m guessing you’re saying that after this has been completely fit out, that’s when the rent kicks in and not beforehand. When will that be, and who is paying for the fit out?

MR. SHAUGHNESSY: I think I can address some of the Assemblyman’s concerns. I don’t have precise square footage handy at this point. The reason I say “upon fit out” is that it’s going to be a staged lease where a portion of the property will be fit out first and moved into, then another portion, and then another portion. So it’s going to basically be a phase in. But after it’s fully phased in, the rent will be \$804,468 a year.

ASSEMBLYMAN MORIARTY: But isn’t-- Number one, who is paying for the fit out?

MR. SHAUGHNESSY: The tenant is paying for the fit out, not the State.

ASSEMBLYMAN MORIARTY: Good.

Secondly, there must be some time table, I would imagine, that’s been established when they think the fit out will be finished and the full lease will commence.

And the last question I have is: Is there any community opposition to this?

MR. SHAUGHNESSY: None known. I can say that we did initially send it to all departments, but we have no known opposition, Assemblyman, from this. We’ve received no conflicts or other opposition.

ASSEMBLYMAN MORIARTY: And this lease is-- How did we come to this \$804,468?

MR. SHAUGHNESSY: I know that Treasury obtained an appraisal, and it's very close if not right at the appraised value.

I have Mr. Tighue here who has negotiated this lease.

Mr. Tighue, would you like to come up?

ROBERT TIGHUE: Hello.

MR. DiROCCO: Good morning.

MR. TIGHUE: As Mr. Shaughnessy said, the property is vacant. It is part of a larger campus where there are other vacant parcels there.

What we did was establish what we considered two leasing areas: East Hall and what we're calling West Hall. East Hall is this property in particular. We had it appraised. I believe the appraisal was \$15 a foot. We only had it appraised for lease purposes, not for sale purposes. And I think we negotiated to \$14 a foot.

ASSEMBLYMAN MORIARTY: How many square feet?

MR. TIGHUE: I believe it's somewhere around 60,000 square feet. I'm not sure. I should have had it with me. I'm sorry, I apologize for that.

But to explain the phase in a little bit-- The tenant is doing their own tenant improvements. So they're going in and doing-- It should take about a year. And every quarter, or actually every -- three times a year it's going to bump up. So they're going to do a third of the building at once and fit that out and start paying rent for that -- for the second. So they're going to be paying rent in addition to what they're doing prior to where they fit out. And once the fit out is done through the year, then they're in.

ASSEMBLYMAN MORIARTY: Thank you.

MR. TIGHUE: Sure.

MR. DiROCCO: Any other questions? (no response)

MR. SHAUGHNESSY: Any public members want to be heard?

B A R B A R A S A C H A U: Yes, I have a question.

MR. SHAUGHNESSY: Okay. Please come forward, ma'am.

MR. DiROCCO: Good morning. Could you just state your name for the record, please?

MS. SACHAU: My name is Barbara Sachau.

The comment was made that there has been no opposition from the community. I notice with a lot of the issues on the agenda here, there is, in fact, no notice to the community as well. And I think that's a real lack. I mean, that same thing applies to the leasing to Carlos Green, which we just did. There was never any notice to the community. I mean, this is kind of a big event. And the only notice most people get of what's going on here is when this agenda appears three days before the meeting. So I think all of us need more notice of what's going on and is projected.

Can anyone explain what the notice was to the community so they could have an opinion on this?

MR. DiROCCO: I think the comment about there being no opposition known to us was that generally many of the applications that come before us -- or many of the matters that come before us have prior approvals, whether it be the municipal landuse body, some county landuse body. And at that time often we have an ability to look at the record and see if there was some sort of prior discussion that may have generated some sort of opposition.

MS. SACHAU: Well, has that been done here?

MR. DiROCCO: According to the record, there is a March 7 letter to the Mayor explaining the lease agreement.

MR. SHAUGHNESSY: By statute, ma'am, we notify each municipality if there is a disposal. So we'll write to the mayor in each municipality if it's a lease or disposal.

MS. SACHAU: Well, this is a county facility. And maybe people in the county would like to have had notice as well.

MR. SHAUGHNESSY: It's a former State Hospital. And clearly I think people in the community were aware of its closure and its vacation. And this is a public meeting and public agenda, and it was noticed in accordance with the Open Public Meetings Act and provided notice.

MS. SACHAU: Was there a legal notice in the paper about this?

MR. SHAUGHNESSY: Not to my knowledge.

MS. SACHAU: So if a newspaper wanted to cover it, they would have no way of knowing that this was in transit or being composed.

MR. SHAUGHNESSY: We provide notice of this to the press corps -- to the press -- when we give notices.

MS. SACHAU: Thank you.

MR. SHAUGHNESSY: You're welcome.

MR. DiROCCO: Thank you.

Any other comment?

ASSEMBLYMAN MORIARTY: I think the citizen makes a good point, especially in the case of this. And that's why I asked if there was any community opposition. We're talking about reopening a dormant

facility for rehabilitation and addiction services. So obviously local communities might be a little concerned about what was going to happen, what kind of security was going to be there, what types of people would be there. And if they don't know anything about this except that there was a letter that went to the Mayor that the Mayor may or may not have publicized or said anything to anyone about, I think that's a shortcoming of this process. We should allow communities and citizens in this state that we're representing here to know what's going on. That doesn't need to happen maybe when we're selling a landlocked parcel next to somebody that we own and we shouldn't own. But in this case, I would think the community should know more about what's about to happen there. That's just my comment.

SENATOR SMITH: This is the first time I've seen a disclosure for it. Is that a new policy of the State House Commission?

MR. KOTLER (Counsel): We've had it before.

SENATOR SMITH: And do we do that on every application?

MR. KOTLER: No.

SENATOR SMITH: So why was there a disclosure form on this one as opposed to -- not on all of them?

MR. KOTLER: I think that certain departments have been using disclosure forms for a bit, Senator. And there was a disclosure form so that members of the Commission -- if they had any questions about the identity, we put this in as well.

SENATOR SMITH: It's not a bad idea. I mean, we probably should adopt it across the board. I think it would give-- For example, the statement that they've not had any business transaction with the following

legislators -- I think that would calm a lot of nerves with regard to people voting on LLCs or corporations.

MR. SHAUGHNESSY: I appreciate your comment.

MR. DiROCCO: And it may also address -- not directly -- but the issue about the public not knowing. Part of the reason the public wants to know is, (a) what's happening to the property; but, again, is there an insider deal going on. And disclosure, I think, helps shed a little light on it. It seems like a pretty easy, perfunctory sort of thing we could do.

SENATOR SMITH: We should do it across the board.

MR. DiROCCO: Is that something we could -- even if it's just for-- And maybe we can have a threshold. I don't know if it means you do it for very minor conveyances, but--

MR. SHAUGHNESSY: No, I think where there is a corporate entity, a business entity, it should be included.

SENATOR SMITH: I'd like to put it on the individuals. I even like it on the individuals. The statement that we -- "You haven't done any transactions with the legislators." That's a winner.

MR. DiROCCO: Maybe what I would suggest-- I think it's a great idea. Before we institute something formal, maybe we can have--

SENATOR SMITH: A little study.

MR. DiROCCO: --a little study.

SENATOR SMITH: Sure.

MR. DiROCCO: Bob, if you could, just vet it with some folks at Treasury and see how problematic or burdensome it may or may not be.

MR. SHAUGHNESSY: Will do.

MR. DiROCCO: And then we can just make--

SENATOR SMITH: Sure. We'll talk about it at the next State House Commission.

MR. SHAUGHNESSY: Will do.

Any other members with comments? (no response)

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

If not, I will call the roll--

Motion?

SENATOR SMITH: Motion.

MR. SHAUGHNESSY: Motion, Senator.

ASSEMBLYMAN RIBLE: Second.

MR. SHAUGHNESSY: Second, Assemblyman.

Thank you.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: I will abstain on this because I'm not convinced that the community knows what is about to happen

there. And I don't know enough about the safety and security of this new venture. So I will abstain.

Thank you.

MR. SHAUGHNESSY: Thank you, Assemblyman.

And Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The matter is approved.

Thank you.

No. 12 is RPR 13-24, Block 2, part of Lot C, Jersey City, Hudson County.

Treasury, on behalf of the Department of Military and Veterans Affairs, requests approval to grant easements to the Jersey City Municipal Utilities Authority for the installation, access, and maintenance of electrical conduits and associated control panels necessary to power submersible or underground pumps in their sewer system.

Since this project directly benefits the State, the easements will be granted for \$1. I understand there is a flooding problem up there, and this will alleviate that.

Any members have comments? (no response)

Hearing none.

SENATOR SMITH: Move it.

ASSEMBLYMAN MORIARTY: Second.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The matter is approved.

No. 13 on the agenda -- now Department of Transportation requests.

No. 13: Route 9W, Section 1, Parcels VX74A2 and VX74C, Block 5053, now Lot 5.01 and 5.03, Fort Lee Borough, Bergen County.

The Department of Transportation requests approval to sell, by direct sale, to the adjoining property owner, Fletcher West, LLC. The recommended sale price is \$84,000, the appraised value.

Any members have comments on this matter? (no response)

Any member of the public here?

ASSEMBLYMAN MORIARTY: I'm sorry. When someone buys these landlocked parcels and we go and talk to the adjoining property owners, and they say-- It says here, "The parcels are to be used to increase parking and have better vehicle circulation." Is that a fact or is that a wish? Because don't they have to go before local planning or zoning?

MR. SHAUGHNESSY: I think the -- not the State -- but, of course, a third party would.

ASSEMBLYMAN MORIARTY: The applicant.

MR. SHAUGHNESSY: Yes, the applicant would.

ASSEMBLYMAN MORIARTY: These people who are buying it -- they don't come to us and buy this and already have approvals, because they can't get approvals. They don't own the property.

MR. DiROCCO: I think that's right.

ASSEMBLYMAN MORIARTY: So in other words--

MR. DiROCCO: Once it becomes their property I think they may need to go to the town for--

ASSEMBLYMAN MORIARTY: So the summary should say the parcels are intended to be used. It's not a foregone conclusion. They still have to go before some local planning and zoning body. Is that correct?

MR. SHAUGHNESSY: I believe so, yes.

ASSEMBLYMAN MORIARTY: Okay. That's all.

MR. SHAUGHNESSY: And if there is anyone from DOT here, at least that can be noted for future reference.

Any other members have comments or discussion?

SENATOR CARDINALE: Yes, I'm going to abstain. I used to own the property next door to this. I sold it some years ago, but I don't want to have any appearance of--

MR. SHAUGHNESSY: Thank you, Senator Cardinale.

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

Motion?

SENATOR SMITH: So moved.

ASSEMBLYMAN MORIARTY: Second.

MR. SHAUGHNESSY: Thank you, Senator and
Assemblyman.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Abstain.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The matter is approved.

Next is 15: Route 130, Section 14, Parcel VX40, Block 2,
adjacent to Lot 16, Robbinsville, Mercer County.

MR. KOTLER: Bob, you skipped--

MR. SHAUGHNESSY: Oh, did I skip 14? My fault. I
apologize.

No. 14: Route 78, Section 5G, Parcel VX49A, Block 2726, Lot
59, Newark City, Essex County.

The Department of Transportation requests approval to sell by direct sale to an adjacent property owner, 225 Elizabeth Realty, LLC, a 2,036 plus-or-minus square foot parcel of property located within the I-2 Second Industrial District of the City of Newark. The sale price is \$16,000, the fair market value. The parcel is intended to be used to assemble to the requestor's existing adjacent commercial property for additional parking.

Any members have comments on this? (no response)

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

Motion?

MR. DiROCCO: I'll make the motion.

MR. SHAUGHNESSY: Second?

ASSEMBLYMAN RIBLE: Second.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The matter is approved.

Now on to 15: Route 130, Section 14, Parcel VX40, Block 2, adjacent to Lot 16, Robbinsville, Mercer County.

The Department of Transportation requests approval to sell by direct sale to the only adjoining property owner, Joanne Seefelt Elliott, for assemblage to her residential property, an irregular-shaped vacant lot containing approximately 0.297 acres. The recommended sale price is \$63,000, the fair market value.

MR. SHAUGHNESSY: Any members have comments on that?
(no response)

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

Motion?

SENATOR CARDINALE: So moved.

MR. SHAUGHNESSY: Second?

ASSEMBLYMAN RIBLE: Second.

MR. SHAUGHNESSY: Motioned and seconded.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The matter is approved.

Now moving on to DEP requests -- Department of Environmental Protection requests.

No. 17--

UNIDENTIFIED MEMBERS OF AUDIENCE: Bob, you skipped 16.

MR. SHAUGHNESSY: Okay. We're moving faster. I apologize.

SENATOR SMITH: Is this a Cinco de Mayo problem?
(laughter)

MR. SHAUGHNESSY: I think so.

No. 16: FAI-I01-5-(2), also known as Route 80, Parcels VX231A2 and V230B2, Bogota City, Bergen County.

The Department of Transportation requests approval to sell by direct sale an approximately 940 square foot, plus-or-minus, parcel to the only adjoining property owners, Rolando and Lily Flores, to add to their residential property. The sale price is \$2,000, the appraised value.

Any members have comments on that? (no response)

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

Motion?

SENATOR SMITH: Move it.

MR. SHAUGHNESSY: Second?

MR. DiROCCO: Second.

MR. SHAUGHNESSY: Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: No. 16 is approved.

Thank you.

Department of Environmental Protection requests.

No. 17 -- they are 24 farm leases on Parks and Forestry areas throughout the state, as more particularly set forth in your agenda. Those are numbers 1 through 24.

The DEP requests approval to enter into 24 separate five-year lease agreements with options to renew for five years on parcels -- land located on Parks and Forestry areas throughout the state. Twenty-three of

these, I understand, were competitively bid. One was not, as is more particularly described in the agenda.

SENATOR SMITH: I'd like to ask a question or two about 17, 18, and 19. They're farm leases.

MR. SHAUGHNESSY: Is anyone from DEP here?

Good morning.

GEORGE A. CHIDLEY: Good morning.

George Chidley with the Office of Leases at DEP.

SENATOR SMITH: George, I didn't hear your last name.

MR. CHIDLEY: Chidley.

SENATOR SMITH: Mr. Chidley, when I read the comments on these items, there was a comment that DEP had gone through this format, at least for some of the leases -- I'm not sure which ones.

In fact, maybe I should start with that question. How many of these properties have had farm leases in the past?

MR. CHIDLEY: All of the properties have had farm leases in the past.

SENATOR SMITH: For all three items?

MR. CHIDLEY: There may be additional acreage with each one, but for the most part most were already in farming through what's called a *special use process*, which was really less competitive. The idea was to get these out, to have a transparent transaction. That's why these leases are being proposed.

SENATOR SMITH: A little surprisingly, I saw the comment in here and I did not underline it. Actually, in Item 19 it says, "This service

obligation is a result of the significant reduction in staff at the Division of Fish and Wildlife and the need--”

MR. CHIDLEY: You’re on--

SENATOR SMITH: I’m on 19 which dealt with eight farm leases and service agreements. I’m just dealing with the whole issue of these farm leases. But there is a statement that, “This service obligation is a result of the significant reduction in staff at the Division of Fish and Wildlife and the need for assistance in maintaining wildlife management areas.” Now, does that apply only to 19?

MR. CHIDLEY: Yes.

SENATOR SMITH: And 17 and 18 -- those were all existing--

MR. CHIDLEY: Those are all cash, straightforward.

SENATOR SMITH: Okay. So as long as I’m asking you the question, what is the staff reduction that results in these service needs?

MR. CHIDLEY: Typically what it deals with is keeping the acreage open or cutting the grass in other areas. So that’s what the in-kind service is.

SENATOR SMITH: Formerly we had somebody in the DEP who did that?

MR. CHIDLEY: Yes. So what happens is they’re farming one acre in one area and they’re doing other in-kind services.

SENATOR SMITH: Are any of these three items forest farming, or are they all traditional farming?

MR. CHIDLEY: They’re all traditional. There is no nursery or anything along those lines.

SENATOR SMITH: Very good. There's no harvesting of forests?

MR. CHIDLEY: No.

SENATOR SMITH: Okay. I appreciate your comments.

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

Any members of the public want to be heard on this?

MS. SACHAU: Yes, I have a few comments.

MR. SHAUGHNESSY: Ms. Sachau, please come up.

MR. DiROCCO: Ms. Sachau, correct?

MS. SACHAU: Yes.

My comments apply to most all of these leases. My concern is that these leases were originally paid for, in most cases, by New Jersey citizens. And the purpose of these leases was to let animals live there in peace and tranquility.

Now, to me, this has been -- to farm -- to put this now into farm land has been a perversion of that purpose. Again, we see that so often in New Jersey government. We see something advertised -- we're going to get this for our tax dollars, and instead we get something else. And so what we have here is land originally planned to be for animals of various kinds and for birds. And instead we have farmers being moved in there and agribusiness. And the interesting thing is, the leases are extremely low. So in effect the Treasury isn't getting any money out of these in any case. The general taxpayers aren't getting anything to speak of. In fact, the contracts that are written to let these farmers go on that land probably cost more than the money we're getting per year for them to farm this land. So this is

a no-win for general taxpayers. That land was bought for wildlife to live on, the birds to live on. And it should serve that purpose.

Another concern I have is that-- On No. 20 there is a building on that land being given basically to a nonprofit for \$1 a year or something like that. Now, has anybody in the government taken a census?

ASSEMBLYMAN MORIARTY: You're moving ahead.

MR. SHAUGHNESSY: Ma'am, you're talking about No. 20 on the agenda.

MS. SACHAU: Oh, I can't mention that? It's kind of the same kind of thing to the same kind of land.

MR. DiROCCO: Wait until we get there. We're just focusing on No. 17.

MS. SACHAU: Well, I do have a concern.

Oh, and the problem here is we have a New Jersey Division of Fish and Wildlife to whom you're assigning all these lands. And the people on the council of the Division of Fish and Wildlife are all wildlife murderers. They don't have the right idea in what we should be doing with that land. Their idea is to mow it. Now, when you mow that land -- that's what they're having the farmers do in some cases. When you mow that land, you're growing the deer population, and then we have complaints about the deer population. So the management style coming out of the council you've assigned this land to is not working in the best interest of our environment. We really need to change the composition of the Division you're assigning all this land to. Because none of the people who sit on that council are animal protectors -- none of them. Every single one is a wildlife murderer. They all hunt. And that's their purpose -- managing

the land. So the land isn't going to the purpose it was -- that the people of New Jersey originally were taxed to provide. So there is a problem with these leases.

Thank you.

MR. DiROCCO: Thank you for your comments.

Do any Commission members have any comments or questions? (no response)

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

May I have a motion? This is 17.

MR. DiROCCO: I'll make the motion.

ASSEMBLYMAN RIBLE: Second.

MR. SHAUGHNESSY: Motioned and seconded.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The matter is approved.

Going on to No. 18-- No. 18 is three farm leases on behalf of Parks and Forestry areas throughout the state, as more particularly set forth in your agenda.

The DEP, Division of Parks, requests approval to enter into three separate, five-year lease agreements with options to renew for five years -- parcels of land located on Parks and Forestry areas throughout the state. Again, the minimum bids were established by using soil rental rates set by the Farm Service -- FSA -- of the U.S. Department of Agriculture. Rates are based on the composition and productivity of each soil type found in New Jersey.

Any members have any comments or questions about this? (no response)

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

Motion?

SENATOR SMITH: So moved.

MR. SHAUGHNESSY: Second?

SENATOR CARDINALE: Second.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The matter is approved.

No. 19: eight farm lease and service agreements on wildlife management areas throughout the state, as more particularly set forth in your agenda.

Again, DEP, Division of Parks and Forestry, requests approval to enter into eight separate, five-year lease agreements with options to renew for five years on parcels of land located in wildlife management areas throughout the state. Similarly, minimum bids were established by using soil rental rates set by the Farm Service Agency of the United States Department of Agriculture. Rates are based on the composition and productivity of each soil type found in New Jersey.

Any comments on these matters? (no response)

Hearing none, any public comments? (no response)

Hearing none, may I have a motion?

SENATOR CARDINALE: So moved.

MR. SHAUGHNESSY: Second?

SENATOR SMITH: Second.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The matter is approved.

No. 20: Clinton WMA, Turner House, Block 11, part of Lot 2, Union Township, Hunterdon County.

DEP requests approval to lease a building and the surrounding 1.4 acres to the Union Forge Heritage Association, a nonprofit organization that is dedicated to the mission of promoting, researching, and providing interpretive programming of early American history in Hunterdon County.

The lease term is for 20 years. The Association proposes to renovate the historic structure and use it for its administrative headquarters and as a public interpretive facility. The Association will also be responsible for the upkeep and maintenance of the property, and pay for all utility services. A one time payment of \$20 is included. The Association estimates its monthly costs for utilities and upkeep to be \$1,200 per month. The total value of the services the Association will be providing for the first

ten years of the lease is estimated at \$400,000 to \$500,000 through improvements, maintenance, upkeep, utility payments, interpretive services, and programming.

Any member have comments?

SENATOR SMITH: A philosophical discussion.

MR. SHAUGHNESSY: Sure.

SENATOR SMITH: It appears it is a very worthy nonprofit organization doing historic outreach, education, etc. How do we decide which nonprofits would be eligible for these types of arrangements? For example -- and I'm just making a wild one up, separation of church and state -- suppose you have a religious nonprofit and they say, "We'd like to have your State building -- you're not using it -- we'd like to have your State building for the next 20 years." And their services may be -- whatever -- recreation. How do you-- Is there a policy with regard to nonprofits -- those that are "acceptable" for these arrangements -- or is it a case by case?

MR. SHAUGHNESSY: I'm not certain.

Is there anyone from DEP here to speak to that?

SENATOR SMITH: I think we're giving George a full day.

MR. CHIDLEY: Again, George Chidley, Office of Leases.

Typically we're approached by a third-party nonprofit. In a lot of cases the building sits there empty. This is another case of we're trying to occupy it, trying to find somebody who has a use that will be compatible with the mission of the Department. Clearly this organization has that type of mission, so there is a coalescence.

SENATOR SMITH: Have you ever turned any nonprofit down?

MR. CHIDLEY: Yes, we have.

SENATOR SMITH: What was the reason for the rejection?

MR. CHIDLEY: You need to look to see if they have the financial wherewithal to be able to actually undertake what's going to be the condition of the lease. They would take over all the maintenance. They take over all the regular maintenance as well as the extraordinary maintenance on the building. So they have to have the cash available to do that.

SENATOR SMITH: That's the only reason that would be a disqualification?

MR. CHIDLEY: It has been in the past. We don't get all that many groups that approach us that way. I mean, typically we have-- For example, in Lambertville, there's the Marshall House. It's a historic organization that has roots within Lambertville. So it depends on where the resource is as to what their wherewithal is.

SENATOR SMITH: Okay. Thank you.

MR. DiROCCO: Assemblyman.

ASSEMBLYMAN RIBLE: Back to the hypothetical, what if three nonprofits approach you at the same time for the same property? How would you figure out who gets which property? Is there a plan through DEP for that?

MR. CHIDLEY: Typically that would get vetted through the Department to determine which best meets the needs at that point, and then a recommendation would happen. It's never happened before, but I presume that would be the process.

ASSEMBLYMAN RIBLE: It seems like with more nonprofits being created, it might be something you guys may be wanting to think about as a safety valve.

MR. DiROCCO: I think it's the issue of the mission. It's one thing to have one nonprofit approach the State as a potential tenant. It makes it easier that way. You can determine on their finances whether it makes sense to put that person in the property. Because it's a good point. If there are competing potential lessors, and they'll have wildly different mission statements, it creates an interesting deliberative process for you guys as far as how you're going to come to the ultimate tenant on that.

MR. CHIDLEY: I mean, ultimately, it becomes the stewardship of the resource. So if it's a historic resource, the connection or the close matching to that aspect would be something that would take precedence over what they were -- who was going to be the lessor.

MR. DiROCCO: Right.

Thanks, George.

Anyone else? (no response)

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

SENATOR SMITH: I move the application.

MR. SHAUGHNESSY: Do I have a second?

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Motioned and seconded.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: No. 20 passes.

No. 21: Delaware and Raritan Canal State Park, Block 1043, part of Lot 5, Lambertville, Hunterdon County.

DEP requests approval to lease an existing 10-inch sewer line to the Lambertville Municipal Utilities Authority. The lease is for 20 years. In accordance with the recommendations of the August 2011 Interagency Lease Task Force Report, the proposed rental rate is \$0.05 per square foot with a 2.5 percent annual escalator.

Do we have any comments with regard to that matter -- questions or comments? (no response)

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

Hearing none, I will call the roll.

Pardon me, motion?

ASSEMBLYMAN MORIARTY: I make that motion.

MR. SHAUGHNESSY: Second?

MR. DiROCCO: I make a second.

MR. SHAUGHNESSY: Motioned and seconded.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: No. 21 is approved.

MR. DiROCCO: At this point we're going to go back to-- Before we get into the Judicial Retirement System we'll move back to Item 2 on the agenda, which also relates to the residential leases in the vicinity of the reservoirs that we've been discussing. And it's the matter of tenancy of Anna Higgins.

I think -- and Bob and Gary, correct me if I'm wrong -- the history here is such that the individual residing in the premises is the son of the actual lessee, Anna Higgins. Anna Higgins no longer lives in the

property. I believe there's maybe potentially some health issues. The son has moved in. He is not on the lease.

There have been some discussions about whether or not Mr. Higgins should be made the lessee. But he also apparently is not willing to pay the rent that's been decided on for this property, which I believe is \$1,325. So we have an issue now where -- and actually I think it's a matter of litigation now.

Gary, can you give us a little background on the litigation?

MR. KOTLER: Sure.

Let me just correct one statement that you made. I believe there is someone here for the tenant who I imagine wishes to speak. The son has, as I understand it, basically continuously lived in the house, first with his parents and now he's in the property himself. Because the lease was not executed and the rent in the amount approved by the Commission is not paid, I will note that Mr. Higgins had tendered the old rent which was returned by Treasury to him, and eviction action was commenced, and the State's attorney is also here to provide some factual background if needed. And the landlord-tenant court determined two things to my knowledge: One, that Mr. Higgins did not have standing as he was not the tenant. And number two, that the rent was reasonable. And as a result of that, Mr. Higgins has now appealed that decision and the landlord-tenant court -- before it gave leave to appeal -- suggested that Mr. Higgins come back to the State House Commission to discuss those two issues -- whether he can be made a tenant under the lease. And he is requesting, I believe, \$60 a month rent increase that he'd be willing to pay. And he also has

indicated that there may be certain repairs that need to be done to the premises.

That's the background as I understand it.

MR. DiROCCO: Thanks, Gary.

So essentially it's back before us because the court basically remanded it, essentially, to us, even though it's not a typical--

MR. KOTLER: Right, this is very unusual -- certainly in our experience. And I guess based on whatever the result is today -- either it will be acceptable to Mr. Higgins, or I imagine they would go back to court.

SENATOR SMITH: Was there an order of eviction issued by the court or was there a statement that the court was retaining jurisdiction?

MR. KOTLER: You know, Senator, it may be more appropriate if our attorney, Deputy Attorney General Frantz Massé--

ASSEMBLYMAN MORIARTY: Can you tell me a little bit more about the residence? Two bedrooms, three bedrooms? What is it?

D P T Y. A T T Y. G E N E R A L F R A N T Z M A S S É : Good morning.

ASSEMBLYMAN MORIARTY: Good morning.

DEPUTY ATTORNEY GENERAL MASSÉ: I believe it's three bedrooms.

ASSEMBLYMAN MORIARTY: How many bathrooms?

DEPUTY ATTORNEY GENERAL MASSÉ: Two.

ASSEMBLYMAN MORIARTY: Three bedrooms, two bath.

MR. DiROCCO: Do you have any idea of what the square footage is, approximately?

DEPUTY ATTORNEY GENERAL MASSÉ: The document that was before me -- I believe it was about 1,300.

ASSEMBLYMAN MORIARTY: And the parcel of land -- do you know?

DEPUTY ATTORNEY GENERAL MASSÉ: It sits on an acre.

ASSEMBLYMAN MORIARTY: An acre of land.

SENATOR SMITH: In what town?

DEPUTY ATTORNEY GENERAL MASSÉ: This is in Somerset County, in Franklin Township.

ASSEMBLYMAN MORIARTY: Can you tell us a little bit about the proceedings? Was there an eviction order handed down?

DEPUTY ATTORNEY GENERAL MASSÉ: Yes. This matter commenced when the State filed action -- eviction action against the tenant, Anna Higgins, in October. At that time it was carried until December, and then in January. When we went to court in January, initially there was a motion made by the tenant that he be allowed to stand in Anna Higgins place because he was, in fact -- he argued that he was the tenant-in-fact. He indicated that he had lived in the premises for approximately 50 years except for one period of time some time in the late '80s where he had moved out of the premises for a year or two. Other than that, he had always lived in the property. The property was his grandparents', at which point sometime in the '70s the property was conveyed to his mother -- leased to his mother, and his mother had been living there since the '70s as well.

At trial the court found that he was not, in fact, the tenant; that Anna Higgins was the tenant; that he could not utilize a power of

attorney to represent the interest of his mother; and that he would need to be on the lease. And he indicated that he was not willing to also pay the increase that was proposed by the State. The court found in our favor; specifically, that because his name was not on the lease, and while the lease provided for Anna and her family, it did not specifically identify him as a co-tenant and therefore he was not found to be the tenant.

He now seeks an appeal. The court has this matter. There was a warrant of eviction provided. That warrant has been stayed by the trial court pending the outcome of this action, but the tenant was also seeking some relief from the Appellate Division for that stay of eviction, which is currently on hold as well.

SENATOR SMITH: How did the State gain ownership of the property?

DEPUTY ATTORNEY GENERAL MASSÉ: According to the record, this was a property that was part of a plan of DEP. I believe it was a reservoir that they were building in that area. And they built -- and they purchased approximately 40 parcels of land in that area for the purpose of building the reservoir. And I believe that was in '69 or something like that.

SENATOR SMITH: Do you know if, as part of that transaction, there was any either verbal or written understanding between the State government and the family that they would be permitted to occupy the property under a lease?

DEPUTY ATTORNEY GENERAL MASSÉ: I do not know.

MR. DiROCCO: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Forgive my ignorance here. The lease was signed on or about the 28th of November, 1972. What were the terms of that lease? Was it forever?

DEPUTY ATTORNEY GENERAL MASSÉ: These were one- or two-year leases. At some time in the past the State provided options. They have done away with those options now, and they're now strictly one-year leases. There have been a couple of occasions where the lease was just renewed over just a -- I guess a one- or two-page rider as opposed to a full lease. The last lease that was signed on this matter was in 2011. In 2012 it was not signed, and that's why we're here now -- is the fact that there isn't a 2012 lease.

ASSEMBLYMAN RIBLE: I'm not an attorney, but it sounds like he's out of the lease.

ASSEMBLYMAN MORIARTY: How long has his mother been out of the house?

DEPUTY ATTORNEY GENERAL MASSÉ: I do not have an exact date on that. I do believe he indicated that the mother had some medical conditions that required additional attention that he could not provide. And based on that, his mother had to leave to get serious medical attention. He has lived there the entire time.

ASSEMBLYMAN MORIARTY: And he's still there.

DEPUTY ATTORNEY GENERAL MASSÉ: And he's still there.

ASSEMBLYMAN MORIARTY: And let me get-- I think you mentioned this before, but indulge me, please.

MR. DiROCCO: And, Assemblyman Moriarty, just to jump in real quick, I think there is a representative of Mr. Higgins here.

ASSEMBLYMAN MORIARTY: Okay.

MR. DiROCCO: You can certainly ask questions. I just wanted to let you know.

ASSEMBLYMAN MORIARTY: I just want to hear from our side of this issue.

MR. DiROCCO: Sure.

ASSEMBLYMAN MORIARTY: When did he-- Did he stop paying the rent, or he was just paying what the old rate was?

DEPUTY ATTORNEY GENERAL MASSÉ: He paid what the old rate was.

ASSEMBLYMAN MORIARTY: And we sent it back because it wasn't what the rate was supposed to be.

DEPUTY ATTORNEY GENERAL MASSÉ: Correct.

ASSEMBLYMAN MORIARTY: So how long have we not been collecting rent?

DEPUTY ATTORNEY GENERAL MASSÉ: August of 2012.

ASSEMBLYMAN MORIARTY: Has he been sending it each month and we send it back each month?

DEPUTY ATTORNEY GENERAL MASSÉ: He made attempts in the first three months, and thereafter he stopped making attempts. Because at that time we filed an action against him. We filed an action for nonpayment of rent and nonpayment of a renewal increase of rent -- a rental increase.

SENATOR SMITH: Do you know if any other members of the family live there in addition to the--

DEPUTY ATTORNEY GENERAL MASSÉ: No. According to Mr. Higgins at trial, he lives there alone.

ASSEMBLYMAN MORIARTY: And has he made any offer that if we were to look kindly on what he's proposing, that he's going to pay the last six months?

DEPUTY ATTORNEY GENERAL MASSÉ: Yes.

ASSEMBLYMAN MORIARTY: Okay.

DEPUTY ATTORNEY GENERAL MASSÉ: He indicated that -- and I would defer to counsel -- but the arguments that we had were as to the appropriateness of the rent increase. He desires to live there. He just indicated that the increase was high.

ASSEMBLYMAN MORIARTY: And we're still going to pursue the \$1,300-whatever per month that we believe he owes us no matter what happens, even if we evict him. Would that be the case?

DEPUTY ATTORNEY GENERAL MASSÉ: Yes.

ASSEMBLYMAN MORIARTY: Okay.

MR. DiROCCO: Any other questions for Mr. Massé? (no response)

Seeing none, I think there is a representative of Mr. Higgins here. Correct?

E V A N S C. A N Y A N W U, ESQ.: That's correct.

MR. DiROCCO: Please come forward and state your name.

MR. ANYANWU: Not a problem.

MR. DiROCCO: Good morning.

MR. ANYANWU: Good morning, members of the Commission.

My name is Evans A-N-Y-A-N-W-U.

Just by way of point of clarification, this is the process that should have happened, perhaps, back in August. Because this is the proper body for the concerns that Mr. Higgins had. He was represented by prior counsel. I'm someone who -- I've done landlord-tenant -- represented a lot of landlords in New Jersey for a number of years.

So what I did was I moved for reconsideration to stay -- an order to show cause to stay so he could actually do what is the proper process here. What I told him as well was, he would need to deposit into my trust fund amounts for the rent so that when this matter -- if this matter is resolved, the rent moneys can be paid to the State.

It's really a simple matter. There are two things at issue: whether or not Mr. Higgins can get a new lease with his name as the proper tenant, and that-- One thing that should be noted is that he had -- there were some rents that were accepted by the State because him and his father have the same name. So the State would not have known that my client, Arthur Higgins, was not the Arthur Higgins that -- his father who died. But it was when the State became aware that the State stopped accepting his rent. So he has paid some for a while that the State accepted when his mother got dementia, I believe.

This is a guy who lived there for over 50 years. This is the only home he's known. He wants to live there. He just wants the lease in his name, and he just wants a reasonable rent increase. And as someone who's represented landlords who own a lot of complexes, I can tell you that any

landlord who can continuously receive rent for decades from a tenant uninterrupted is a good thing. There's a great tenant that you have in my client. He just wants to continue a process that he's known his entire life.

ASSEMBLYMAN MORIARTY: Counselor, are you representing this gentleman pro bono?

MR. ANYANWU: No. And, again, that doesn't make sense.

ASSEMBLYMAN MORIARTY: I'm just wondering. He has money to pay for an attorney, but he doesn't have money to pay an increase that the courts have said is reasonable. It's a three-bedroom, two-bath, one-acre property. Thirteen hundred dollars sounds reasonable to me. I haven't gone out and inspected it. I don't understand. He would probably be in a better position if he had just paid the proper rent.

MR. ANYANWU: Respectfully, Assemblyman, I'm in total agreement. I think he just had bad advice in the beginning.

ASSEMBLYMAN MORIARTY: Does he work?

MR. ANYANWU: Yes, he does.

ASSEMBLYMAN MORIARTY: What does he do for a living.

MR. ANYANWU: He works at a factory. I'm not sure of the exact position, but he works. I personally believe that the amount to litigate -- that was used to litigate this matter would have been better spent. But he probably got bad advice.

ASSEMBLYMAN MORIARTY: Okay.

MR. DiROCCO: Assemblyman Rible.

ASSEMBLYMAN RIBLE: I'm noting the repairs and the replacements of the oven that he's willing to do on his own. Do you have the overall costs of what these are -- the leaky roof, the bathroom?

MR. ANYANWU: I do not have the costs of the repairs that he wants. I do not.

ASSEMBLYMAN RIBLE: And if we were to approve this today, what kind of qualification are we going to get that he-- Obviously, it's a State-owned property. And if he's saying he's going to make these changes, how soon will we have a certification that he did them? Because obviously it's our home, and he's saying he's going to fix it.

MR. ANYANWU: As soon as the Commission wants. I can provide you with that. That's not a problem.

ASSEMBLYMAN RIBLE: That's something we should consider.

MR. DiROCCO: Just for clarification, I think -- Mr. Anyanwu, you can explain this to us -- his wish is that we make the repairs to the property, correct?

MR. ANYANWU: That's correct.

MR. DiROCCO: He's asking for the State to make the repairs.

ASSEMBLYMAN RIBLE: I thought he was doing it.

Mr. Higgins is going down on this argument.

MR. DiROCCO: Sir, I appreciate your being here, and I appreciate your diligence on behalf of your client. I think just for your sake, the history of this is that there are a number of these properties that are similarly situated. And this Commission-- Our job really, ostensibly is to ensure that taxpayers are getting fair market value for State-owned property, whether we're conveying it in fee simple or leasing property out. And a lot of these properties were -- and from the perspective of this Commission -- were undervalued, from a rental perspective. So we

undertook-- About a year ago we undertook an effort to do an appraisal on these properties and try to make sure the taxpayers are getting fair market value for the rentals. And that's where the increase came from.

So to me, I don't know if you're going to find -- if the tenant is going to find fertile ground with respect to the lease increase. I'm certainly willing to make him the tenant. I think it's good to have continuity of tenancy. I don't think there are any issues there. But I don't see how we could provide a downward adjustment when everyone else who is similarly situated with these properties has had their rent increased.

MR. ANYANWU: But it's my understanding, upon information -- of all the tenants in that area that have received rent increases, only one actually came before this body for modification. And that person did receive it. He's not asking for anything -- \$60. He just feels that that's comfortable for him. I think he would be in the best interest of this body to award him the \$60.

I agree with Assemblyman Moriarty. If he had come to me in the beginning, I would have said it would probably have been better to use that money to give to the landlord. But he's in this position now, and he's only asking for a \$60 increase.

SENATOR SMITH: What did-- One of the comments you made was intriguing, and that was that one tenant in this block of homes had been treated differently.

MR. ANYANWU: It's my understanding that there was one that came-- Because at the end of the day -- and there is a lot of case law -- it's okay for a landlord to raise the rent after a lease expires. But the State of New Jersey has a policy where they want the rent to be a reasonable rate

increase. And he just kind of believes that this 20 percent in one year is a little--

SENATOR SMITH: What did we do in that other instance?

MR. DiROCCO: I think I can jump in there.

I think the one you're referring to is different than this.

Senator, you may recall, this is the case where an elderly woman had an increase in rent also, then subsequently got a tax bill from the municipality. I think this was up in Byram Township. And the Township was trying to tax the leaseholder. And she came before us basically saying, "I can't afford both the rental increase and now this being - - having a tax levied against me by the municipality." That struck some of us here that it was -- that she was right. There was something wrong about that sort of double taxation, so to speak. So what we did was, we did increase her rent. We kept her rental increase, but we determined not to take a tenancy action against her until the leasehold tax issue was resolved. My understanding is that that hasn't been resolved. It's still ongoing with the Township.

SENATOR SMITH: I thought Counsel was saying that in these homes along the reservoir -- that we treated somebody differently.

MR. ANYANWU: No, I misspoke. My understanding is that someone has come after the appraisal that has increased these rents. Someone has come before this body to ask for a modification.

MR. DiROCCO: And that was the woman I was talking about.

ASSEMBLYMAN MORIARTY: I just want to point out that the tenant has no standing. The court has said that. And since the tenant has no standing, we would advertise this based on what we talked about

today. And we would put it out there at least at fair market value. So the position of this tenant that, "I'm going to dig in my heels and not pay you money," doesn't work well with me. So I'm not willing to vote in favor of this tenant. I would just move forward with the eviction process unless there is a change of attitude.

SENATOR SMITH: Maybe there is a way to cut the baby in half. And the suggestion would be-- I don't know how you could ever go below fair market value. I think you'd subject yourself to the criticism from the public. But it seems his client needs two things. He needs to know that he would get a lease. And that number two, he'd like to get the reduction in rent. I don't think we can do the reduction in rent. We've made the determination we wanted to upgrade the rents to fair market value. But I think there is enough of a family history that perhaps we can say to Counsel, if you're client agrees to pay rent from the date that it was raised to this forward time and to live with that higher rent, you could, in fact, become the tenant at least for a year or two until the next time there is a discussion (indiscernible).

MR. DiROCCO: That's how I feel. I think you're right. I mean, he's been in the property. He obviously knows the property. And I think that continuity is a good thing. I don't have any objection to him being the tenant. But I agree. I don't think we can reduce-- I mean, the increase was imposed upon all similarly situated property owners -- property holders. And it was based on fair market value. I just can't see how we can go back on that.

Assemblyman Rible.

ASSEMBLYMAN RIBLE: Forgive me. I'm going to go back to the repairs for a second. If I'm a landlord and I'm leasing or renting a home, I would expect it's the tenant's responsibility to call me and say, "My oven is not working, my roof is leaking." Who do these tenants call? I'm looking at these repairs that want to be done -- and I'm not beating on Mr. Higgins as an example -- but it just seems like this is a State property that was completely ignored that should have been on a regular -- if something happened.

MR. DiROCCO: It's a good question. How do we handle those maintenance issues?

MR. SHAUGHNESSY: Assemblyman, it's a good question. Typically, there are at least annual inspections done. It's my understanding -- or I've been informed that an inspection was to occur, but access was not allowed to the property to get in. So those repairs were not visibly seen by the State representative.

SENATOR CARDINALE: Don't you also have a provision that certain repairs are the responsibility of the tenant?

MR. SHAUGHNESSY: Correct, under \$500. Anything under \$500 is totally the tenant's responsibility. And other than that, it would be the State's responsibility. It could be done via the State doing the work or, if appropriate, an abatement of the rent if the tenant were to take it on.

ASSEMBLYMAN RIBLE: Not to cut you off, I'm sorry -- what's the State's policy if access is denied? I mean, there could be a couple of reasons why access could be denied. There could be, perhaps, criminal activity in there or they just don't want to disclose what they're doing in their home. I mean, is there a policy if you're denying access to the home?

MR. SHAUGHNESSY: I don't know if there's a firm policy on that. I think once there was no admittance allowed, the representative left. And then the eviction proceeding began, and we are here now, today.

ASSEMBLYMAN RIBLE: I'm just talking about all general properties. If access is denied, the representative just walks away and says, "Oh well"? Do we write that inspection off?

MR. SHAUGHNESSY: Well, I think if it continues to be a problem-- In this case, there was no tenant or tenancy. So I think the appropriate was the legal action that was taken. But no, I see your point. I think if it was a problem -- a continued problem we would have to seek the appropriate authorities to gain access.

ASSEMBLYMAN RIBLE: Forgive me for saying it, but I think we need to learn how to be better landlords. I mean, our properties are dilapidating. We're not getting proper inspections. And here we're sitting in a situation that really got out of control.

MR. DiROCCO: Any other comments or questions?

SENATOR SMITH: No, but I think to try to resolve this, I make a motion that there would be no reduction in rent, but that the gentleman be offered the ability to settle this matter by entering into the proposed lease and paying the back rent.

MR. DiROCCO: And becoming the lessee, right?

SENATOR SMITH: And becoming the tenant, yes.

MR. SHAUGHNESSY: And for what term would that be? Because the existing lease goes through July 31.

SENATOR SMITH: Of 2013?

MR. SHAUGHNESSY: The mother, yes. So, I mean, do we continue the lease from now, or--

MR. DiROCCO: I would say can we replace the old lease with it now-- Can we just start it immediately? The day he signs it, he becomes the lessee, the old lease becomes null and void.

MR. KOTLER: With a retroactive provision in it to pay the back rent at the time of signing.

MR. DiROCCO: Yes, correct.

ASSEMBLYMAN RIBLE: And if we can just add into there, "Within 30 days of signing the lease, he grants access for an inspection by the State," so we know exactly what's going on.

SENATOR CARDINALE: What about the interest of the mother? While she's not there, can we cut off her interest?

MR. DiROCCO: I think we'd have to get her to rescind her interest in the property. I don't know.

Do you know, sir, if she would be willing to do that? If her son becomes the lessee, would she give up her interest in the property?

MR. ANYANWU: Yes, but she has a caretaker now.

SENATOR SMITH: You said she has dementia.

MR. ANYANWU: Yes, so it's a tough--

MR. KOTLER: May I suggest this: Is it possible, sir, that Mr. Higgins could be added as a co-tenant for the balance of this term?

MR. ANYANWU: Actually, that's a better -- legally, that's probably better.

ASSEMBLYMAN MORIARTY: I'd like to hear from the attorney whether this is something that he's willing to do. Because he's not

shown a willingness to pay an increase in rent. He's not been giving -- he's not putting in -- you said *trust*. I don't know if that's the right word. But he's not been making payments of \$1,300 to be held in reserve. So I don't know why we would offer him something if he's not willing to do it.

MR. ANYANWU: Respectfully, Assemblyman Moriarty, as I told you, I recently -- I was not counsel from the start in this matter. I think I've seen in Mr. Higgins at least a willingness to understand my advice to him which, based on my experience in the landlord-tenant area-- And he has been depositing at least the old rent in my trust account, which I said is very important for him to do.

SENATOR SMITH: How much do you have in your trust account from him?

MR. ANYANWU: At the moment I have \$3,300 from him in my trust account.

SENATOR SMITH: Three months.

MR. ANYANWU: Yes. So I told him he has to be making that amount, which I will of course turn over to the State. And I told him that while there is some argument-- And not to make this a big issue, but the original lease did use the word *family*, so there was an understanding that it wasn't a lease given to just one individual. So I don't want to split hairs on that. But Mr. Higgins is willing to stay. This is the only house he's ever known for 50-something years. He wants to live there. He wanted to pay an increase; he just, at the time, felt that that increase was too much. And based on my advice, I think he will listen to me.

ASSEMBLYMAN MORIARTY: You think he'll pay the \$1,300-plus a month?

MR. ANYANWU: There's no other place he wants to live.

MR. DiROCCO: And, quite frankly, we're here because the court asked us to reconsider this, and this is what we're doing. So we're, as a body, now-- It seems like, collectively, we're coming to this understanding that we're fine with him being the lessee. He has to pay the increased rent. We're going to come to an agreement on the terms. If he doesn't do that--

SENATOR SMITH: And provide access in 30 days.

MR. DiROCCO: And provide access, right.

And if he does not agree with those things -- and I think to your point earlier, Assemblyman -- then we proceed with the eviction notice, and then we advertise the property.

MR. ANYANWU: Okay.

MR. DiROCCO: So do we have any other terms we need to discuss? (no response)

SENATOR SMITH: The motion needs a second.

MR. DiROCCO: We need a motion and second.

SENATOR SMITH: Well, I made the motion.

SENATOR CARDINALE: Second, as you outlined it.

MR. SHAUGHNESSY: Any further discussion? (no response)

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

Motioned and seconded; I'll call the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Justice has been done, yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The motion is approved as discussed on the record.

Thank you.

I appreciate everyone's patience. We're now moving--

I now need a motion for the State House Commission to adjourn as the State House Commission and sit as the Judicial Retirement System Board.

MR. DiROCCO: I'll make that motion.

MR. SHAUGHNESSY: Second?

DIRECTOR HOLZBAUR: Second.

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

Any no's or abstentions? (no response)

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

First there are four matters of-- I need approval of the minutes of the meeting held on December 6, 2012, for the Judicial Retirement System.

MR. DiROCCO: I'll move to approve the minutes.

DEPUTY TREASURER ROMANO: Second.

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

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Abstain.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Abstain.

MR. SHAUGHNESSY: Moving on to a confirmation of the death claims, retirements, and survivor benefits that are in each member's package today: May I have a motion for that?

SENATOR SMITH: So moved.

MR. SHAUGHNESSY: Second?

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: Any discussion? (no response)

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: The matter is approved.

No. 4 is the receipt of financial statements from August 2012 to December 2012.

May I have a motion for that?

SENATOR SMITH: So moved.

MR. SHAUGHNESSY: Second?

SENATOR CARDINALE: Second.

MR. SHAUGHNESSY: I'll call the roll.

Senior Counsel DiRocco.

MR. DiROCCO: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Cardinale.

SENATOR CARDINALE: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Moriarty.

ASSEMBLYMAN MORIARTY: Yes.

MR. SHAUGHNESSY: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Yes.

MR. SHAUGHNESSY: And last is a presentation by the Actuary of the July 1, 2012 Judicial Retirement System valuation report.

May I have a motion on that?

SENATOR SMITH: So moved.

MR. SHAUGHNESSY: Second?

DIRECTOR HOLZBAUR: Second.

MR. KOTLER: No.

MR. SHAUGHNESSY: All in favor?

MR. KOTLER: No, this is a presentation.

MR. SHAUGHNESSY: Oh, pardon me. Please come up.

Good morning.

Please identify yourselves, gentlemen.

D P T Y. D I R E C T O R J O H N D. M E G A R I O T I S: Good morning.

I'm John Megariotis, Deputy Director, Division of Pensions and Benefits.

And with me is David Driscoll, from Buck Consultants, who will present the 07-01-12 actuarial valuation report for the Judicial Retirement System.

DAVID DRISCOLL: I have copies of my presentation that I will distribute.

MR. DiROCCO: Go ahead, guys. You can proceed.

Thank you.

MR. DRISCOLL: This presentation -- specifically the slides that were just handed out -- present a high-level summary of the results of the July 1, 2012 actuarial valuation of the Judicial Retirement System of New Jersey.

Turning to the first slide we summarize a few important facts about what the valuation accomplishes and about the -- some changes in the assumptions that are used in performing the valuation that were effective with the valuation that is -- results are reported here.

This valuation of July 1, 2012, is used to determine contributions to the System that will be made in Fiscal Year 2014, which is to say the period beginning July 1, 2013 and ending on June 30, 2014. There have been some changes in assumptions made on the basis of an experience study conducted of the system through June 30, 2011, and on the basis of action taken by the Treasurer.

The basis of the experience study -- the mortality table used in the valuation has been revised to reflect greater expected longevity among members of the System. With the Treasurer's input, the discount rate -- which is to say the assumed rate of return on assets held by the plan in the future -- has been lowered from 7.95 percent to 7.90 percent. The salary scale applicable to active members of the Retirement System has been changed. It is now 2.5 percent per year for all fiscal years through 2021, and 3.5 percent per year in every fiscal year thereafter.

SENATOR SMITH: What do you mean by *salary scale*?

MR. DRISCOLL: Salary scale is the assumed annual rate of increase in salaries. And we recognize, of course, that judges' salaries go up at a somewhat more protracted process than this, but this is the expected year-to-year change if you were to average it as an annual change that applies to judicial salaries -- that are the basis, of course, of benefits that are paid out of the system.

SENATOR CARDINALE: Suppose we never increase judicial salaries again. Would that have an impact on the unfunded liability?

MR. DRISCOLL: Yes, it would because our unfunded liability is predicated on the assumption that you will increase salaries. Failure to ever increase them again would generate what we call *experience gains* from year to year, which is to say the unfunded liability would go up by less -- at least with respect to that particular assumption -- than had been anticipated. And if the habit persisted long enough, the assumption would probably eventually be changed to further lower or eliminate judicial pay increases.

SENATOR CARDINALE: Where do you get the 3.5 percent from? I mean, I understand that somehow you're anticipating we're going to raise judicial salaries. Is that from our past experience?

MR. DRISCOLL: I think it's based on recent past experience and the anticipation of what might be reasonable to expect in the future. Look at what you've done recently. Also, look at, quite frankly, the financial condition of the State, expectation of what future pay increases would be, and the like.

Turning to the results, we see that from July 1, 2011 -- the date of the last valuation -- to July 1, 2012, the liability of the System increased by about \$19.5 million. The assets, unfortunately, decreased.

SENATOR SMITH: Why?

MR. DRISCOLL: Well, because the System is presently receiving significantly less in contributions from the State than it is paying out in benefits. And because at least in the past year the rate of return on assets is below the targeted level.

ASSEMBLYMAN MORIARTY: The stock market hit 15,000. We didn't benefit from that?

MR. DRISCOLL: Well, you might in your next valuation. This is, of course, a valuation prepared as of July 1, 2012.

SENATOR SMITH: Who invests the funds in the pension?

DEPUTY DIRECTOR MEGARIOTIS: The State Division of Investments. The Investment Council is charged with that responsibility.

SENATOR SMITH: What is the nature of the investments? Are they equities, bonds, something else?

DEPUTY DIRECTOR MEGARIOTIS: The investments are across-- It's multiple investments that include stocks, bonds, different fixed-term instruments.

SENATOR SMITH: I have the same concern that Assemblyman Moriarty has. This is a valuation-- Oh, this is a valuation as of July 1, 2012.

MR. DRISCOLL: Yes.

SENATOR SMITH: An awful lot of the stock market was in the last year. So maybe that's the answer. It doesn't look like such a great performance.

ASSEMBLYMAN MORIARTY: What are the alternative investments that could be anything? Are we buying hog futures? What are we investing in? Is there a way we can get a breakdown of that?

DEPUTY DIRECTOR MEGARIOTIS: That would be available through the Division of Investment. They have all those investments. They provide information on the State website. And I'm sure we can get the committee something from the Division of Investment, through the Chair, to provide you of what a recent asset allocation is and where all the investments lie.

ASSEMBLYMAN MORIARTY: I would like that, because there is a pretty big chunk of alternative investments, and that could be anything. It could be wind farms, it could be hog bellies.

SENATOR SMITH: And it looks like it's gotten bigger compared to 2011.

ASSEMBLYMAN MORIARTY: Yes, it has gotten bigger.

And then the common stocks-- Is that-- Are we investing in individual stocks, or are we buying mutual funds?

DEPUTY DIRECTOR MEGARIOTIS: Individual stocks.

ASSEMBLYMAN MORIARTY: So we have people who buy a whole bunch of individual stocks as if they were running a mutual fund kind of--

DEPUTY DIRECTOR MEGARIOTIS: Correct.

SENATOR SMITH: It would be a great idea for a future meeting of the State House Commission to actually have the people in State government who are investing the money here so we can ask some questions.

And I'd also agree with Assemblyman Moriarty. I think we need to know more about those investments. It seems like-- When I look at your report -- Page 19 -- and you've already indicated -- I think you called it \$19 million. We look at assets at market value -- June 12, 2012 -- this was in our package. We had a current \$243 million compared to \$270 million in June 30, 2011. That's actually about \$27 million different, (indiscernible) more than \$19 million. I don't know why there is a discrepancy. But then you also have ratio of assets to total present value, 41 percent to 48 percent. Here it's 40 to 46. That's really a decrease. When you say it's dropped from 46 -- the funded ratio dropped from 46 to 40, that's really a 12 percent drop in the value of your investments. My investment advisor would be fired for much less. (laughter)

ASSEMBLYMAN MORIARTY: I guess my only other comment would be that if-- Don't they know on any given day exactly what the actual value of the assets is? Why do we need to have asset numbers from July 2012 when--

DEPUTY DIRECTOR MEGARIOTIS: Because the valuation is done at one particular point in time. It's as of the end of a fiscal year. So that is the pertinent value of asset that needs to be used in determining the actuarial valuation.

The Division of Investment can provide -- and they do -- they know what the assets are on a daily basis. But once a year we provide the

financial statements of the Division, which tie to the Division of Investments' investments. And that's what's used to develop the report. So what you're seeing is a lag in terms of what has happened versus where we are today.

And just one point: Market value of assets are down. Remember that we're paying benefits every month. Benefits are coming out to all the retired members, and the State has just begun its phase in or ramp-up of contributions to the plan. One-seventh of the contribution, as determined by an actuary, was made as of this valuation, which is a good thing. We're now seeing contributions being made. But until such time as full contributions are made, there will be automatic unfunded liability increases relative to the amount not made. So this is--

SENATOR SMITH: Yes, but this is actually a decrease in the value. I understand the idea of your unfunded liability is going up. But you're actually showing what is a dramatically horrible performance -- a 12 percent drop in the value of the fund between June 30, 2011 to June 30, 2012. That's why I think we should get them in and talk to them. Let's hear their story.

MR. DiROCCO: It's a good idea.

Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: I was just going to say, we definitely -- two entities kind of question -- should have people from the Division of Investments here. I would imagine the Treasurer will make them available.

But just for my own information, my understanding-- Isn't there some sort of a five-year period for recognition of the market value and the increase from -- in order to smooth out market performance?

MR. DRISCOLL: It smoothes out market performance, but what it does not rescue you from in any way is the fact that the fund is -- again, because of the curtailments and gradual building back of contribution levels -- continues to pay out far more in benefits than it receives in contributions.

DEPUTY TREASURER ROMANO: That I understand. But just to get at the Senator's earlier point, is that even the market gains we realized in the past year, we don't recognize them all at once. Instead, it's spread over a period of five years. Is that not right?

MR. DRISCOLL: Yes.

DEPUTY TREASURER ROMANO: So therefore you're never going to see those gains. In order to avoid big peaks and valleys in the investment -- in recognizing the investment values.

DEPUTY DIRECTOR MEGARIOTIS: Rob, that's why you see the actuarial value is a different number than the market value -- because the actuarial value is only recognizing 20 percent of the difference each year, whereas the market value is what the actual value is on an actuarial valuation basis.

SENATOR SMITH: I need a foreign language course in accounting. (laughter)

MR. DRISCOLL: The final result that is presented on the second page of the report is something called the *target funded ratio*, which as many of you know is a ratio that would have to be attained as a ratio of

assets to liability of the system to have COLAs reinstated for eligible members of the System. Obviously it's going to be a while before those COLAs come back.

DEPUTY DIRECTOR MEGARIOTIS: Could I just add one piece? The attainment of the target funded ratio would allow this committee the option to -- with the possibility of modifying benefits only if the modification of those benefits didn't result in a reduction in the target -- the funded ratio below the target in any one year of a 30-year projection period. So it's the first step in the process that allows that to be looked at.

MR. DRISCOLL: Finally, moving to the contribution requirements that come from these valuation results: If it were up to us, we would say that the contribution to the System for Fiscal 2014 would be \$44.7 million, consisting of \$17 million of what we would call *normal costs*; and \$27.7 million contribution toward the amortization of the System's unfunded liability.

However, of course, there are statutory rules now that govern how much of the actuarially recommended contribution may be paid. The minimum contribution, under current law for Fiscal 2014, would be three-sevenths of those amounts. So the minimum pension contribution for Fiscal 2014 under Chapter 1 of Public Law 2010 would be a \$7.3 million contribution for normal costs and an \$11.9 million contribution toward amortization of the unfunded liability, for a total contribution of \$19.2 million.

MR. DiROCCO: Any other questions or comments for the presenters?

MR. SHAUGHNESSY: Would Pensions be able to gain someone from the Division of Investments at a future State House Commission meeting?

DEPUTY DIRECTOR MEGARIOTIS: We will talk to the State Treasurer about having that arranged, yes.

MR. SHAUGHNESSY: Thank you.

MR. DiROCCO: I guess we need to move back into--

MR. SHAUGHNESSY: Yes, we need a motion now to return to sit--

MR. DiROCCO: I'll make that motion.

MR. SHAUGHNESSY: Second?

SENATOR SMITH: Second.

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

Any opposed? (no response)

And then just a motion to adjourn. I think business is concluded.

Motion?

MR. DiROCCO: I make that motion.

MR. SHAUGHNESSY: Second?

SENATOR SMITH: Second.

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

Thank you very much for your patience today and time.

(MEETING CONCLUDED)

APPENDIX



The Judicial Retirement System of New Jersey

July 1, 2012 Actuarial Valuation

May 6, 2013

Revised Economic Assumptions

- July 1, 2012 actuarial valuation determines contributions for FY14
- Reflects the revised demographic assumptions based on the June 30, 2011 experience study (mortality improvement)
- Treasurer has recommended a change in the economic assumptions
 - Discount rate revised from 7.95% to 7.90%
 - Salary scale of 2.50% per annum for fiscal year ending 2012 through fiscal year ending 2021
 - Salary scale of 3.50% per annum for fiscal years ending 2022 and thereafter



July 1, 2012 Valuation Results (Dollars in Millions)

	<u>July 1, 2012</u>	<u>July 1, 2011</u>
Liability	\$ 605.2	\$ 585.7
Actuarial Value of Assets	<u>290.2</u>	<u>310.7</u>
Unfunded Accrued Liability	\$ 315.0	\$ 275.0
Funded Ratio – Actuarial Value	48.0%	53.1%
Funded Ratio – Market Value	40.3%	46.1%
Target Funded Ratio	76.428%	75.714%

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Contribution Requirements for FY2014 (Millions)

<u>Recommended Contribution</u>	<u>July 1, 2012 (FY14)</u>	<u>July 1, 2011 (FY13)</u>
Normal Contribution	\$ 17.0	\$ 16.4
Unfunded Accrued Liability Contribution	<u>27.7</u>	<u>24.3</u>
Total	\$ 44.7	\$ 40.7
Chapter 1, P.L. 2010 Minimum Pension Contribution [∅]		
Normal Contribution	\$ 7.3	\$ 4.7
Unfunded Accrued Liability Contribution	<u>11.9</u>	<u>6.9</u>
Total	\$ 19.2	\$ 11.6

[∅] Chapter 1, P.L. 2010 allows the State to make a pension contribution for fiscal year 2013 not less than 2/7th of the recommended pension contribution and for fiscal year 2014 not less than 3/7th of the recommended pension contribution.

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