Commission Meeting
of
STATE HOUSE COMMISSION

LOCATION: Committee Room 15
State House Annex
Trenton, New Jersey

DATE: March 27, 2014
9:00 a.m.

MEMBERS OF COMMISSION PRESENT:

Amy E. Melick, Chair
Senator Bob Smith
Assemblywoman Linda Stender
Assemblyman Christopher J. Brown
Charlene M. Holzbaur
Robert A. Romano

ALSO PRESENT:

Robert J. Shaughnessy Jr.
Secretary

Gary A. Kotler
Counsel

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey
STATE HOUSE COMMISSION
-- REVISED --
PROPOSED MEETING AGENDA
~~ March 27, 2014 - 9:00 AM ~~
Committee Room 15, Fourth Floor
State House Annex, Trenton, New Jersey

CALL TO ORDER:

~ Amy E. Melick, Special 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
~ Assemblywoman Linda Stender
~ Assemblyman David P. Rible

OLD BUSINESS:

1. Approval of the December 16, 2013 State House Commission Meeting (SHC)
   Minutes -- The verbatim record of the December 16, 2013 SHC meeting will serve as
   the official minutes.

2. Project: Mahlon Dickerson Reservation, Block 320, Part of Lot 9, Block 335, Part of
   Lot 4, Jefferson Township, Morris County

Requesting Party: The NJ DEP, on behalf of the Morris County Park Commission,
requests approval to allow the diversion of additional electric utility right of way
 easement rights in Mahlon Dickerson Reservation, through the amendment of
 existing easements held by Public Service Electric and Gas (PSE&G). The existing
 right of way contains a single 230kV overhead electric transmission line. The
 additional easement rights would be conveyed to PSE&G in order to accommodate
 an upgrade of the transmission capacity and would allow for the construction,
 installation, operation and maintenance of one 230kV overhead electric transmission
 line and one 500kV overhead electric transmission line within the existing right of
 way.

Terms: As compensation, the County proposes to accept $47,380 (ten times the
 appraised value of the diverted area) from PSE&G and will be utilized by the Morris
 County Park Commission for local parkland acquisition and/or development
 projects.

The original request for this project was approved by the State House Commission
 on September 24, 2012. The summary submitted to the Commission erroneously

listed the total acreage to be diverted as 1.28 acres (instead of 1.372 acres). The acreage to be diverted within Block 320, Lot 9 was erroneously listed as 0.14 acre (instead of 0.209 acre), and the acreage to be diverted within Block 335, Lot 4 was erroneously listed as 1.14 acres (instead of 1.163 acres). The land values listed in the original summary were based on the erroneous acreages. Upon consultation with Green Acres’ review appraisers, these values have been prorated and adjusted upwards to reflect the correct acreage. The adjusted compensation figure is now $4,738 for the easement value (instead of $4,400), resulting in a total compensation figure of $47,380 (instead of $44,000). In addition, the DEP has clarified that the cash compensation may be used for either the acquisition of replacement land or for park development purposes.

3. Project: Delaware & Raritan Canal State Park, Stavola Estate/Holcombe House, Block 59, Part of Lot 11, Delaware Township, Hunterdon County

Requesting Party: The NJ DEP, Division of Parks and Forestry, requests approval to sell at public auction a historic farmhouse and associated outbuildings, known locally as either the Stavola Estate or the Holcombe House, along with 7+/-. acres of land. The parcel to be sold is part of an overall acquisition of 64 acres purchased in 2007 as an addition to the Delaware and Raritan Canal State Park. (The DEP has included numerous conditions to this sale which are detailed in the State House Commission members’ briefing materials – see March 13, 2014 memo to Robert Shaughnessy.)

Terms: at the December 16, 2013 meeting, the State House Commission asked that this matter be brought back before the Commission once an appraisal has been received. Auctioning off the surplus parcel and its structures will save the State money by avoiding maintenance, security and/or demolition costs. The opening bid price of $255,000 has now been established by appraisal.

NEW BUSINESS:

DEPARTMENT OF TREASURY REQUESTS:

4. RPR 14-12, Greystone Psychiatric Hospital, Block 10003, Part of Lots 3 & 4, Denville Township, Morris County

Requesting Party: The NJ Department of the Treasury, on behalf of the Department of Human Services, requests approval to lease 5,504 square feet of land located adjacent to an existing fire watch tower on the grounds of Greystone Psychiatric Hospital to High Mountain Tower, Inc. (Principal: Milford K. Smith), for the installation, maintenance and operation of a radio transmission tower, related equipment and an equipment building, together with access to the site.

Terms: The lease will be for five years with three, five year renewal options. Rent for the first year will be $38,000 with annual increases of 3% based on the previous year’s rent. This property was previously leased under RPR 94-10 and was approved by the State House Commission at its meeting of May 6, 1994. The previous lease
and all renewal options have expired and a new lease must now be approved. All
proceeds from the previous lease had been sent directly to the Greystone Psychiatric
Hospital’s Patient Welfare Fund. This new lease will continue to be sent to that
fund. Real Property Review clearance was completed with no Department or
Agency expressing formal interest or possible conflict with the proposed action.

5. RPR 14-13, Block 958, Lot 8, 4165 Atlantic Avenue, Wall Township, Monmouth
County

Requesting Party: The NJ Department of the Treasury, requests approval to lease a
Department of Environmental Protection Residential property to Gretchen Palamara
(or a tenant yet to be determined).

Terms: This lease was advertised. The property shall be leased at a rate of $950 per
month based upon appraised value, for a one bedroom, one bath apartment for a
term of one year, with two, one year renewal options with annual increases based on
the Consumer Price Index for Rental of Primary Residence. Real Property Review
clearance was completed with no Department or Agency expressing formal interest
or possible conflict with the proposed action.

DEPARTMENT OF TRANSPORTATION (DOT) REQUESTS:

6. Project: Rahway Valley Railroad, Part of Parcel 13G, Block 300, Part of Lot 5,
Kenilworth Borough, Union County

Requesting Party: The NJ DOT, Division of Right of Way, Property Management
Unit, requests approval to lease approximately 15,610 square feet located in the
Industrial Zone to PH Partners, LLC, (Jack Paddock, 36 Boonton Avenue, Boonton,
New Jersey and James Herdman, 4 Hickory Drive, Morris Plains, New Jersey), an
area known as part of the former Rahway Valley Railroad for use as additional
parking and storage.

Terms: The property is partially improved with parts of paved parking spots and will
be leased on a month to month basis at a monthly rental of $545, having a base rent
of $420, and a monthly municipal service charge of $125, which will increase
according to the rent schedule of the lease.

7. Project: Route 43 (Current Route 30), Section 13D, Parcel V20B & V21B, Block
897, Adjoining Lots 7 & 8, Galloway Township, Atlantic County

Requesting Party: The NJ DOT, Division of Right of Way, Property Management
Unit, requests approval to dispose of an irregular shaped lot consisting of
approximately 9,413 square feet located in a Highway Commercial Zone to the only
adjoining owner (Rocco Delerato) for assemblage to his adjoining commercial
property that has a closed restaurant on the property which will allow for the
property to be squared off to make it more desirable for sale and future possible
redevelopment. The property is vacant land improved with macadam paving.
Terms: The recommended sale price is $38,000, appraised value.

8. Project: Route 35, Section 40, Parcel VX44B, Block 79.01, Adjoining Lot 2, Brielle Borough, Monmouth County

Requesting Party: The NJ DOT, Division of Right of Way, Property Management Unit, requests approval to dispose of a 0.031 acre or 1,359 +/- square foot vacant lot currently in the R-3 “Single Family Residential” Zone to George & Marta Perk, adjacent property owners, for assemblage and used for a shed and a tree house.

Terms: The recommended sale price is $2,000, appraised value.

DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP) REQUESTS:

9. Project: Flanders Park, Block 6000, Part of Lot 12, Mount Olive Township, Morris County

Requesting Party: The NJ DEP, on behalf of the Township of Mount Olive, requests approval to allow the Township to dispose of approximately 0.080 +/- acre of parkland (in fee) and divert an additional 0.017 +/- acre of parkland (as easements) at and approaching the intersection of Pleasant Hill Road/Main Street and Flanders-Bartley Road/Ironia Road within the Township’s Flanders Park. The disposal/diversion is necessary to construct needed improvements to the intersection and allow for minor widening of Pleasant Hill Road to accommodate a left turn lane, construction of a sidewalk for pedestrian access and construction of storm water pipes and an outfall structure.

Terms: As compensation, the Township will secure 13 +/- acres of replacement land adjacent to Flanders Park. Approval of this disposal/diversion is subject to: 1) Subdivision of the proposed replacement land from Block 6000, Lot 5 prior to dedication to Mount Olive Township. 2) Review and approval of the deed for the transfer of the replacement land to the Township by Green Acres prior to dedication of the replacement land. 3) Execution of all easements and construction of the drainage swale prior to acceptance of the replacement property by the Township. 4) Transfer/dedication of the replacement land within two years of State House Commission approval of the disposal/diversion application. 5) Issuance of any other Federal, State, or local approvals as needed, in connection with the diverted and replacement properties. There was no public opposition voiced at the December 10, 2013 public hearing on the proposed disposal/diversion.

10. Project: South Mountain Reservation, Block 5503, Part of Lot 1, Millburn Township, Essex County

Requesting Party: The NJ DEP, on behalf of the County of Essex, requests approval to allow the County to grant a 0.088 +/- acre subsurface easement to the NJ American Water Company (New Jersey American) on a portion of South Mountain Reservation. The subsurface easement is necessary in order to allow New Jersey American to relocate a 20” and 24” water main and two temporary 18” water
mains from beneath and alongside the Glen Avenue Bridge over the West Branch of the Rahway River. The existing lines will be consolidated into one 36” main, to be installed within a 20’ wide by 192’ long subsurface easement immediately east of the bridge. The 36” main will continue to supply water to over 70,000 people in Irvington, Maplewood and Millburn Townships. The relocation and consolidation of the water lines is a necessary precursor to the replacement of the superstructure of the Glen Avenue Bridge over the Rahway River by the County.

Terms: As compensation for the proposed diversion, the New Jersey American Water Company proposes to pay the Green Acres Program $140,000 for land acquisition in Essex County. As mitigation for the loss of seven trees, the New Jersey American Water Company will also pay $110,000 to the DEP for tree replacement in Essex County. At the December 12, 2013 public hearing, eight members of the public attended, one was a reporter and another Millburn Township’s assistant engineer. The six who spoke asked logistical questions about construction methodology, alternatives, how compensation for land and mitigation for trees was derived, where the money was to be spent, whether the Commissioner should approve any diversion and replacement land should be identified and evaluated in the application. After the public hearing, one written comment asking logistical questions was submitted. A summary of the verbal comments are provided in the Members briefing materials. Although not required, a second public hearing was conducted by the County on January 8, 2014 under the Local Lands and Buildings Law. A reporter was the only attendee. The reporter asked “off the record” logistical questions about the project.

11. Project: Bonsal Preserve, Block 3802, Lots: Parts of 150, 151, 152 and 153 in the Township of Montclair, Essex County and Block 75.13, Part of Lot 24, in the City of Clifton, Passaic County

Requesting Party: The NJ DEP, on behalf of the Township of Montclair, requests approval to allow the City of Clifton to construct approximately 1,304 linear feet of 12-inch trunk sewer and associated manhole structures along the northern boundary of the Bonsal Preserve. The new sewer easement will be 10’ wide along with a 5’ wide maintenance easement along each side of the length of the pipe (for a total easement area of approximately 0.599 acre). The purpose of sewerage relocation is to move the existing sewer line from the interior of the Preserve to the northern boundary, a more accessible area that will eliminate the need for maintenance crews to disturb parkland and other environmentally sensitive areas in the future. The City of Clifton shall spend at least $20,000 towards restoring disturbed areas with native plantings of trees, shrubs and grasses. On January 9, 2014, Montclair Township conducted a public hearing at which time there was no public opposition voiced and no comments received in the subsequent two week comment period.

Terms: In exchange, the City of Clifton will abandon its existing 10’ wide sewer easement that presently traverses approximately 1,383 linear feet of the Preserve (approximately 0.317 acre) along with any existing access and maintenance rights within the Preserve (estimated to occupy at least an additional 0.328 acre of the Preserve).
12. Project: Colliers Mills Wildlife Management Area, Block 76, Lots 63, 76, 82.03 Plumsted Township, Ocean County, Block 18301, Lot 1, Block 18401, Lot 3 (Old Block 10, Lots 6.01 and 29.01), Jackson Township, Ocean County

Requesting Party: The NJ DEP, Division of Fish and Wildlife, requests approval to enter into a 20 year lease agreement with First Energy-Jersey Central Power & Light (JCP&L) for the use of a right of way (ROW) consisting of approximately 70.5 acres (3,070,980 square feet), for the operation, maintenance, repair, renewal and removal of existing transmission lines for the distribution of electricity. This lease will replace and supersede a 50 year lease with JCP&L which expired in 2008, for the same ROW.

Terms: The rent is based on the State’s August 18, 2011 Interagency State Land Lease Valuation Report which recommends $0.15/square foot for private sector projects with a 2.5% annual escalation clause. Based on this rate, rent for the first year will be $460,647. With the 2.5% annual escalation, the total rent for the 20 year term will be $11,774,137.

13. Project: Waterloo Village, Block 371, Lot: Portions of Lots 1 & 9, Block 384.02, Lot: Portion of Lot 1, Byram Township, Sussex County

Requesting Party: The NJ DEP, Division of Parks & Forestry, requests approval to enter into a 10 year lease agreement with Jeffrey A. Miller Catering Company (Miller), a private company that provides high end banquet, catering and events services for weddings, receptions, corporate parties and other events.

Terms: Miller was chosen pursuant to a competitive bid process and will be responsible for the upkeep and maintenance of the property and pay all utility services. Miller will put in more than $300,000 worth of improvements into the property. The lease term is ten years, with an option to renew for an additional ten years. Because of the possibility, no matter how remote, of one or more of the buildings being partially or totally destroyed by fire or other cause, a clause has been added to extend the lease by the amount of time it takes to repair the buildings, but in no case shall it be extended for longer than 2 ½ years; total length of the lease would be for 22 ½ years, but no longer. Compensation: The fixed rent for the first year of the lease shall be $48,000 and shall increase annually by 3% beginning on the first anniversary of the effective date. The variable rent amounts due to the DEP are: 7% of gross revenue up to $600,000 and 10% of gross revenue for revenue over $600,000. The variable rent payment shall be based on the total gross revenue calculated every six months and shall be payable on the first day of the following month. The rental value was established based on a review of similar properties and rents of other Parks’ buildings as well as consultation with other catering venues in northern New Jersey.

14. Project: Delaware & Raritan Canal State Park, Block 57, Lot 6, Hopewell Township, Mercer County, Block 27, Part of Lot 1, West Amwell Township, Hunterdon County
Requesting Party: The NJ DEP, Division of Parks and Forestry, requests approval to enter into a new lease with 1850 River Road, LLC (Principal: Daniel R. Brenna, Jr.), for a ten year term for 1.47 acres of land to provide access and entrance to the Golden Nugget Antique Flea Market. The current lease does provide for an additional ten year renewal term that must be mutually agreed upon by the DEP and the Tenant.

Terms: Annual rent for the first lease year will be $9,605 and the rent will increase annually by 2.5% on the anniversary of the effective date. The annual rent was established in accordance with the Interagency State Land Lease Valuation Panel Report dated August 2011 setting the rate for Linear Corridor Projects at a flat rate of $0.15 per square foot for private sector projects.

15. Project: Allaire State Park, Block 48, Lot 10, Block 47, Lot 1, Howell Township, Monmouth County

Requesting Party: The NJ DEP, Division of Parks and Forestry, requests approval to enter into a 20 year lease with First Energy-Jersey Central Power and Light (JCP&L) for the use of a right of way (ROW) consisting of approximately 9.2 acres (400,752 square feet) for the operation, maintenance, repair, renewal and removal of existing transmission lines for the distribution of electricity. This lease will replace and supersede a 50 year lease with JCP&L which expired in 2011, for the same ROW.

Terms: The rent is based on the State’s August 18, 2011 Interagency State Land Lease Valuation Report which recommends $0.15/per square foot for private sector projects with a 2.5% annual escalation clause. Based on this rate, rent for the first year will be $60,113. With the 2.5% annual escalation, the total rent for the 20 year term will be $1,536,483.

DIVISION OF PENSIONS AND BENEFITS’ REQUESTS:

16. 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 16, 2013
2. Confirmation of Death Claims, Retirements & Survivor Benefits

EXECUTIVE SESSION (as necessary)

OTHER BUSINESS (as necessary)
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Name</th>
<th>Role/Position</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Judeth Piccinini Yeany, Esq.</td>
<td>Bureau Chief, Legal Services and Stewardship, Green Acres Program</td>
<td>4</td>
</tr>
<tr>
<td>Robert Moss</td>
<td>Green Acres Issues Coordinator, New Jersey Chapter, Sierra Club</td>
<td>6</td>
</tr>
<tr>
<td>Kristen McCarthy</td>
<td>Committee Member, Delaware Township</td>
<td>13</td>
</tr>
<tr>
<td>James Borders</td>
<td>Coordinator, Open Space Committee, and Vice Chair, Historic Advisory Committee, Delaware Township, and Secretary Delaware Township Historical Society</td>
<td>14</td>
</tr>
<tr>
<td>Senator Christopher “Kip” Bateman</td>
<td>District 16</td>
<td>17</td>
</tr>
<tr>
<td>Caroline Armstrong</td>
<td>Bureau of Legal Services, Green Acres Program, New Jersey Department of Environmental Protection</td>
<td>33</td>
</tr>
<tr>
<td>George A. Chidley</td>
<td>Acting Administrator, Office of Leases and Concession, New Jersey Department of Environmental Protection</td>
<td>43</td>
</tr>
<tr>
<td>John P. Inglesino, Esq.</td>
<td>Representing Robert Frungillo</td>
<td>45</td>
</tr>
</tbody>
</table>
## TABLE OF CONTENTS (continued)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position/Department</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert Frungillo</td>
<td>Private Citizen</td>
<td>54</td>
</tr>
<tr>
<td>Mary E. Monteschio, Esq.</td>
<td>Regulatory Officer</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>New Jersey Department of Environmental Protection</td>
<td></td>
</tr>
<tr>
<td>Sally Lane</td>
<td>Office of the Assistant Commissioner</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Natural and Historic Resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td>New Jersey Department of Environmental Protection</td>
<td></td>
</tr>
<tr>
<td>John D. Megariotis</td>
<td>Deputy Director</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>Division of Pensions and Benefits</td>
<td></td>
</tr>
<tr>
<td></td>
<td>New Jersey Department of the Treasury</td>
<td></td>
</tr>
<tr>
<td>Aaron Shapiro</td>
<td>Director</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>Buck Consultants</td>
<td></td>
</tr>
</tbody>
</table>

### APPENDIX:

<table>
<thead>
<tr>
<th>Description</th>
<th>Source</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Testimony</td>
<td>Submitted by James Borders</td>
<td>1x</td>
</tr>
<tr>
<td>Bid Evaluation Report</td>
<td>Submitted by Mary E. Monteschio, Esq.</td>
<td>2x</td>
</tr>
<tr>
<td>Letter, plus attachments</td>
<td>Addressed to State House Commission from John P. Inglesino, Esq.</td>
<td>3x</td>
</tr>
</tbody>
</table>
TABLE OF CONTENTS (continued)

APPENDIX (continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Judicial Retirement System of New Jersey Annual Report</td>
<td>42x</td>
</tr>
<tr>
<td>submitted by Aaron Shapiro</td>
<td></td>
</tr>
<tr>
<td>Judicial Retirement System of New Jersey, July 1, 2013 Actuarial Valuation</td>
<td>89x</td>
</tr>
<tr>
<td>submitted by Aaron Shapiro</td>
<td></td>
</tr>
<tr>
<td>E-mail, addressed to State House Commission from Barbara Sachau Private Citizen</td>
<td>101x</td>
</tr>
<tr>
<td>pnf: 1-82</td>
<td></td>
</tr>
</tbody>
</table>
AMY E. MELICK (Chair): Good morning, everyone. Thank for coming to the State House Commission meeting.

I want to thank all the members for attending. And I will turn it over to Mr. Shaughnessy.

MR. SHAUGHNESSY (Secretary): Good morning. This is the March 27, 2014 State House Commission meeting. At the outset, I’d like to say that the State House Commission is in compliance with the Open Public Meetings Act. Notice has been given by a notice filed with the Secretary of State, delivered to the State House press corps, and filed at the Office of the State House Commission.

Before calling the roll, let me just say that Item No. 14 is going to be held at the request of the agency. Also there were two items, which I bring to your attention, which are going to be incorporated in the State House Commission records. The members should have a copy of comments received yesterday from Barbara Sachau, as well as a letter from John Inglesino, Esq., also received yesterday, which will be incorporated into the State House Commission records.

Now to the roll.

Special Counsel Melick.

MS. MELICK: Here.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY TREASURER ROMANO: Here.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Here.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Present.
MR. SHAUGHNESSY: Assemblyman Brown.

ASSEMBLYMAN BROWN: Here.

MR. SHAUGHNESSY: Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Here.

MR. SHAUGHNESSY: Assemblywoman, welcome and thank you very much for your participation today.

ASSEMBLYWOMAN STENDER: Thank you.

MR. SHAUGHNESSY: We have a quorum.

The first item under old business is approval of the December 16, 2013 State House Commission meeting minutes.

May I have a motion?

SENATOR SMITH: So moved.

MR. SHAUGHNESSY: Second?

MS. MELICK: Second.

MR. SHAUGHNESSY: All in favor?

ALL: Aye.

MR. SHAUGHNESSY: Any opposed, any abstentions?

ASSEMBLYWOMAN STENDER: I can abstain on that, right?

I wasn’t here for it, and I haven’t reviewed the--

ASSEMBLYMAN BROWN: I abstain also for the same reason.

MR. SHAUGHNESSY: Okay. Your abstentions are noted.

Thank you.

The next matter is the DEP matter. This matter is at the Mahlon Dickerson Reservation, Block 320, part of lot 9; Block 335, part of Lot 4, Jefferson Township, Morris County.
DEP requests approval to allow the diversion of additional electric utility right-of-way easement rights in the Reservation through the amendment of existing easements held by PSE&G. As compensation, the County proposes to accept $47,380 from PSE&G and will be utilized by the Morris County Park Commission for local parkland acquisition and/or development.

The original request for this project was approved by the State House Commission on September 24, 2012. The summary submitted inadvertently listed the total acreage to be diverted as 1.28 acres, instead of 1.372 acres. The adjusted compensation figure is now $4,738 for the easement value instead of $4,400, resulting in a total compensation figure of $47,380 instead of $44,000.

In addition, the DEP has clarified that the cash compensation may be used for either the acquisition of replacement land or for park development purposes.

Any members have any questions or comments on that?

Any member of the public want to be heard on this matter?

MS. MELICK: Assemblywoman Stender.

MR. SHAUGHNESSY: Oh, I’m sorry.

Assemblywoman.

ASSEMBLYWOMAN STENDER: Thank you.

I do have some questions.

I recognized that it was 10 times the appraised value -- that that was what was being compensated. But it still didn’t seem like a -- compared to some of the other issues in front of us, it seemed low to me.
But my bigger questions is, is this an annual payment? Because it doesn’t say whether it’s annual or one-time.

MR. SHAUGHNESSY: Fair enough, Assemblywoman.

We have someone from DEP to hopefully answer the Assemblywoman’s questions.

JUDETH PICCININI YEANY, ESQ.: Good morning. I’m Judeth Yeany from the Green Acres Program at the DEP.

That is a one-time payment for the life of the easement. But this is a situation where they’re just obtaining additional easement rights within an existing utility corridor -- so that’s what the value is based on. And they’re very small areas, as you can see from the acreage.

ASSEMBLYWOMAN STENDER: I guess I-- What I think about -- going back to my municipal days -- that we would get annual payments for the lines that would come through the municipality.

MS. PICCININI YEANY: Right, and that’s the approach the State has chosen to adopt. We’ve been leasing out our rights instead of giving permanent easements. But in the Green Acres encumbered properties we don’t dictate to the counties or the towns whether they chose to do permanent rights or lease them. And in this case, Morris County chose to give a permanent easement.

ASSEMBLYWOMAN STENDER: When these issues are valued, is there a comparison to what Green Acres would have paid for that property to begin with?

MS. PICCININI YEANY: Well, these were based on appraisals that were commissioned by PSE&G and were reviewed by Green Acres. But it is an easement value that -- they then are paying 10 times the value.
ASSEMBLYWOMAN STENDER: But I guess my question is, how does that compare to what we actually would have paid for that property when we acquired it? Because somebody got paid for that property when Green Acres acquired it, correct?

MS. PICCININI YEANY: Correct.

ASSEMBLYWOMAN STENDER: And so I didn’t know--

MS. PICCININI YEANY: Yes, I’m not-- I can’t tell you this second what our participation was in that property, what we helped them pay for it.

ASSEMBLYWOMAN STENDER: The other question I would have on this is, that in some of the other issues I noted that there was a tree inventory required. But there was no tree inventory noted here. Is there any issue that you can tell on that?

MS. PICCININI YEANY: No, because this is an existing utility corridor. The vegetation is already kept low so there were no tree removal issues with this one.

ASSEMBLYWOMAN STENDER: Thank you.

MS. PICCININI YEANY: You’re welcome.

MR. SHAUGHNESSY: Do any other members -- Commission members have any questions or comments? (no response)

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

If not, may I have a motion, please?

Is there someone else?

Please step up and identify yourself. Thank you.
ROBERT MOSSE: Robert Moss; I’m the Green Acres Issues Coordinator for the New Jersey Chapter of the Sierra Club.

Just very briefly, because I’ll have remarks later on South Mountain Reservation. But the Sierra Club, the New Jersey Chapter, does not agree with the concept of compensation money being allowed to be used for park improvements -- often called development. But we don’t like that word, because it sounds like you’re going to build houses. Park improvements, playgrounds, athletic fields, and so on are a very important part of the program -- the Green Acres program. However, they’re not appropriate in the case of land being diverted out of the Green Acres encumbrances.

It does not profit us to have new picnic tables if there’s no land to put them on. And I’ll develop that later; I think it’s Item No. 10.

Land is running scarce and diversion-- The compensation money -- however much it might be -- should be used for purchasing land that is substantially equivalent in terms of public outdoor recreation, or conservation, or both.

Thank you.

MR. SHAUGHNESSY: Thank you for your opinion.

Any other member of the public want to be heard?

ASSEMBLYMAN BROWN: I just want to make one point.


ASSEMBLYMAN BROWN: Thank you.
This is an existing lien. PSE&G or the service provider was issued this easement since 1930. Transmission lines have been going through this property. They’re just getting more access to the land to do improvements on their already-owned easement. So they’re making 10 times the value of contribution to the park and recidivism program in Morris County to maintain their own easement that they’ve already had since 1930. So we’re not giving anything new, we’re not expanding anything. We’re just allowing them more access. Their transmission lines are already going above it. So what we’re doing here is already in existence. There’s not really much of a change in use of that easement.

So I just want to make that clear to the public.

MR. SHAUGHNESSY: Anything further? (no response)

If not, may I have a motion?

ASSEMBLYMAN BROWN: So moved.

MR. SHAUGHNESSY: Second?

SENATOR SMITH: Second.

MR. SHAUGHNESSY: Motion and second.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Smith.

SENATOR SMITH: Yes.

MR. SHAUGHNESSY: Assemblyman Brown.
ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Yes.

MR. SHAUGHNESSY: The matter is approved.

On to No. 3 -- Item No 3. And I understand there are some folks who want to comment on this matter. But before that, let me just run through it.

This is Delaware and Raritan Canal State Park, Stavola Estate/Holcombe House, Block 59, part of Lot 11, Delaware Township, Hunterdon County.

DEP requests approval to sell at public auction a historic farmhouse known locally as either the Stavola Estate or the Holcombe House, along with +/- 7 acres of land. The parcel is to be sold as part of an overall acquisition of 64 acres purchased in 2007 as an addition to the Delaware and Raritan Canal State Park.

The DEP has included numerous conditions to this sale which are detailed in the State House Commission members’ briefing materials.

Auctioning off the surplus parcel and its structures will save the State money by avoiding maintenance, security and/or demolition costs. The opening bid price of $255,000 has now been established by appraisal.

Are there any members who have any questions or comments?

SENATOR SMITH: Two -- two comments.

MR. SHAUGHNESSY: Thank you, Senator.

SENATOR SMITH: First, a question: What happens if the $255,000 is not bid? Suppose somebody bids $150,000, and that’s the only bid. What happens in that case?
MR. SHAUGHNESSY: That’s a fair question. That’s the starting bid. If no one bids whatsoever on that, then it would be reconsidered -- either reappraised or reauctioned.

SENATOR SMITH: Would it come back to us?

MR. SHAUGHNESSY: It could if you make that.

SENATOR SMITH: Right.

MR. SHAUGHNESSY: Because normally if you do it for the appraised value it would--

SENATOR SMITH: It looks like a gorgeous piece of property. I have no idea what the condition of the buildings is, but seven acres on the Delaware and Raritan Canal looks fabulous. If I didn’t have to maintain my residency in the 17th District I’d be a bidder. (laughter)

But that being said, I’d like that to be a condition: that if it doesn’t sell for at least the minimum appraisal price that it comes back to us.

And the second comment on it -- if you take a look on the map of the property, you’ll notice that it’s along Route 29. And for most of the frontage of the property there appears to be a setback of 10 or 20 feet. It’s still part of the park. So my question is, why not continue that to the end of the property, and then have an access easement for the driveway? I think the disadvantage to the way this is laid out is that if somebody is walking or jogging along Route 29, whoever the new successor property owner is would have the right to fence in that one strip and force a walker or a jogger on to the roadway. It seems to me that essentially the piece would be still intact. And then I wonder why was the line extended; why
did you have this setback and then suddenly not have the setback? And maybe, Judeth, maybe you can give us an answer to that.

MS. PICCININI YEANY: Yes, the reason we have the setback -- the notch in the map -- was to provide the possibility of a future trail corridor--

SENATOR SMITH: Right.

MS. PICCININI YEANY: --if there was a way to cross Route 29, which we have not figured out yet.

Our plan was that if that plan ever materialized, that people would walk along 29 and that the access to the back of the property would be past the open field that will be associated with this house. If you’ve been through that area, there’s a Transco easement or some sort of pipeline easement towards the end, and that makes the logical place to, kind of, head up the hill.

If you look at the map, the green line outside the housing area -- the yellow line depicts what we would auction off; the green line is the property boundary.

SENATOR SMITH: Right.

MS. PICCININI YEANY: That’s the boundary with, I believe it’s Trap Rock quarry. There is still an active quarry on that side of the property. And there’s also a stream that runs down through there. So I think we didn’t think that under any scenario we’d have the public walking up that side of the property due to the topography and being so close to that house.
There actually is a fence that runs along the field, along Route 29 right now, that will have to be moved back as part of this transaction to accommodate that trail corridor that we are trying to reserve.

SENATOR SMITH: You have to excuse my inability to totally understand what you said.

What was the reason for having the yellow line come out to Route 29 where the driveway is located?

MS. PICCININI YEANY: Just to provide some road frontage for the property. That’s where the driveway is; we were trying to preserve just a little bit of road frontage for the property and not have the property have no frontage on 29. So that seemed about the minimum that we could do, reasonably.

SENATOR SMITH: All right, then maybe the only other suggestion I have is to, maybe, keep an easement to the State--

MS. PICCININI YEANY: Sure.

SENATOR SMITH: --so that you can continue that buffer strip in case you do put a walking trail or a bike trail, or whatever.

MS. PICCININI YEANY: Sure. Yes, that would be great.

Thank you.

MR. SHAUGHNESSY: Thank you, Senator Smith.

Assemblyman Stender.

ASSEMBLYWOMAN STENDER: Thank you.

I agree with that. I mean, it seems to me that while the issue of what’s now beyond the park land is not seen as usable today, I just think that it makes more sense to have it go all the way across, and then just
allow the property owner an easement to get on and off their property as opposed to cutting it the way it’s drawn.

One of the other questions I have-- Because when I looked at this, I thought this seemed very strange to carve out a piece of the property that looks like the most valuable piece -- because it’s on the canal -- right out of the middle of the park. I have looked at all the documentation; I did speak with both Assemblyman Ciattarelli and Senator Bateman on this topic, and I know that there’s a lot of local support.

But when I’m reading the report, as conditions of the sale, the “Department anticipates including following restrictions.” The restrictions seem to me to be good ones in terms of trying to preserve what this area was. But the word *anticipates* concerns me because that doesn’t sound like that’s hard and fast.

MS. PICCININI YEANY: I think the only one that we were not entirely sure about was the archeological restrictions. There was some site investigation going on, in the middle of the process of trying to sell this property, that we thought might lead to the conclusion that we didn’t need an archeological restriction. But we’re committed to a “no further subdivision” restriction. There will be a historic preservation restriction. And the restriction on not rezoning the property for 25 years is a statutory one and has to be included.

ASSEMBLYWOMAN STENDER: After 25 years, what happens then?

MS. PICCININI YEANY: The statute that we operate under for conveyance says that if the property is rezoned within 25 years of the sale to a use that’s more profitable to whomever we sold it to -- that there
has to be, essentially, cost sharing with the State -- that it can’t be flipped
to a more profitable zoning within 25 years. After that, the title will be

**ASSEMBLYWOMAN STENDER:** Okay. But, going back to
*anticipate.* So the-- Because that sounds to me like you can get into a
bidding situation and decide that, well, if we take this restriction off, now
we have a bidder.

**MS. PICCININI YEANY:** Well, the bid package will specify
what the restrictions are. And, at this time, I believe Historic Preservation
still wants us to put an archeological restriction on the property. So right
now, all those restrictions would be intended to be placed on there.

**ASSEMBLYWOMAN STENDER:** Okay. I mean, my support
for this is based on the fact that there are going to be these kinds of
limitations so that the property has a chance of being restored and
preserved in its existing use. And I don’t know how you do that, but
that’s-- My vote for this says that those restrictions will stay in place.

**MS. PICCININI YEANY:** Understood.

**MR. SHAUGHNESSY:** Any other Commission members have
any questions or comments on this matter? (no response)

Does any member of the public want to be heard on this? I
know some people have signed in to be heard on it. So come on up, and
please identify yourself.

Thank you.

**KRISTEN McCARthy:** Hi. Kristen McCarthy. I am a
Delaware Township Committeeperson, so I am here representing the
Township.
So I just wanted to reiterate our support for this acquisition -- well, you already acquired it, but the sale of the property.

It’s been a long journey with this property, and the Township is very committed to making sure that those restrictions and easements are placed on the property. One of our main concerns -- and why we are encouraging action today -- is the house is of extreme historic value. It’s one of the oldest houses in the Township, and the Township in general has a very strong, historic Advisory Committee. We work closely with our nonprofit Historic Society. We have spent a lot of money, and time, and commitment in other properties throughout the Township in maintaining both the historic value of a variety of homes, as well as engaging in a very long oral history project documenting the history of Delaware Township. So this house -- one of the women who is head of our Delaware Township Historic Society has documented its historic value, so we are very committed to having this property preserved.

Additionally, across the street from it is a nonprofit -- Holcombe Farmstead -- that a group of residents maintain the farmstead. If you go on tours there when the weather’s nice they show demonstrations of what the history of farming was in Hunterdon County. It’s all run by volunteers. It’s directly across the street; it’s called the Holcombe-Jimison Farm--


MS. McCARTHY: Farm Museum. So this, obviously, being directly across the street -- and this is the Holcombe House -- it’s of great importance to us.
And also the Township is concerned about the quality of the house. It’s starting to deteriorate. It’s sitting unoccupied for many years now, so we are very anxious to get the sale. And we are very supportive of all of the restrictions.

And the Township is also— At our last Township Committee meeting we had informal discussions amongst ourselves about taking the easement on -- being the holder of that easement as well.

MR. SHAUGHNESSY: Sir.

MR. BORDERS: My name is James Borders. I am the Open Space Coordinator for Delaware Township. I’m also the Secretary of the Historical Society, and I’m the Vice Chair of the Historic Advisory Committee.

The first thing I wanted to say was that we know the value of open space in Delaware Township. Over 30 percent of our Township is in some type of deeded preservation in a wide portfolio of all different types of agricultural habitat parkland.

So we know an open space when we see it. This is not an open space issue. This is a historic house that sort of got taken in with a really nice piece of property, but wasn’t separated from the property before the transaction was made.

As the Secretary of the Historical Society -- the nonprofit historical society -- we have documented this house. It was built in 1744 when Washington’s troops crossed to go to the Battle of Monmouth at Coryell Ferry, which is now Lambertville. There had been people living in this house for over 30 years. When Delaware Township was incorporated in 1838, this house was almost 100 years old. So it has unique history and
architectural features that really we would like to see saved with a historical easement on the property.

And then third, our Historic Advisory Committee -- of which I'm the Vice Chair -- has been working on this for years, talking with Green Acres and with DEP about finding some way to preserve this property through auctioning it off on to private hands with a historical easement.

So I want to thank you very much for letting us talk. And thank you for your decision.

ASSEMBLYWOMAN STENDER: Question.

MR. SHAUGHNESSY: Thank you.

Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Thank you.

My only question is: So does that mean that one of your groups in town is going to buy this?

MS. McCARTHY: Oh, no.

MR. BORDERS: No, no, no.

MS. McCARTHY: We would just be the easement monitors -- the easement holders; the municipality, with the help of our Historic Advisory Committee, in terms of monitoring the easement over the years. We're hopeful that once it's on the auction, it will go into private hands and it will be returned to its glory days.

And also just another point, too: The Township initially, I believe, when it was bought for preservation -- that it was only one acre, I think, around the house. But the Township encouraged the State to look at expanding that size and make it a more viable property for resale. Plus also for-- You know, we would love somebody to come in and farm the six
or seven acres and make it a really viable homestead for themselves. So we encourage that, of which it was done. So now we feel that with the house and the outbuildings -- plus, I think, it’s about just under seven acres right along 29 and the Canal -- it makes a very viable option for people to purchase it. The Township is not interested in purchasing it ourselves. We don’t have that kind of money. (laughter)

MR. BORDERS: No.

ASSEMBLYWOMAN STENDER: Thank you.

MR. SHAUGHNESSY: Thank you very much.

SENATOR CHRISTOPHER ‘KIP’ BATEMAN: (off mike) We’re here -- Assemblyman Ciattarelli and I are here to support Delaware Township (indiscernible).

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

SENATOR SMITH: Madam Chair, if there’s no other public-- Number one, if I had Senator Bateman’s money I’d certainly buy the property. Number two, it sounds like Washington may have slept here, so we definitely have to do our best on this. (laughter)

I would move the transaction forward with three conditions: Number one, if it’s less than-- If there is no bid that is $255,000 or more, then it should come back. Number two, that all of the restrictions that are listed in the package will be part of the package -- they will be conditions of the sale. And then number three, if Judeth is in agreement -- if DEP is in agreement -- that there be an easement for park purposes for that strip, that strip that goes out to Route 29, so that if DEP does decide that there’s a need for a walkway, or a bikeway, or whatever it can be done. But, at the
same time, the property owner would own, in fee, out to the road so that it would have road frontage. Because I know the real purpose here is to not violate the municipal land use law and have a landlocked lot.

But that’s the way to accomplish it -- is an easement to the State, right? So with those three conditions, I’ll move it.

MR. SHAUGHNESSY: Thank you, Senator Smith.
Is there any further discussion? (no response)
I need a second on that.
ASSEMBLYMAN BROWN: Second.
MR. SHAUGHNESSY: Okay, second. Motion and second. Call the roll.
Special Counsel Melick.
MS. MELICK: Yes.
MR. SHAUGHNESSY: Deputy State Treasurer Romano.
DEPUTY STATE TREASURER ROMANO: Yes.
MR. SHAUGHNESSY: Director Holzbaur.
DIRECTOR HOLZBAUR: Yes.
MR. SHAUGHNESSY: Senator Smith.
SENATOR SMITH: Yes.
MR. SHAUGHNESSY: Assemblyman Brown.
ASSEMBLYMAN BROWN: Yes.
MR. SHAUGHNESSY: Assemblywoman Stender.
ASSEMBLYWOMAN STENDER: Yes.
MR. SHAUGHNESSY: That matter is approved pursuant to the motion and it passes.

SENATOR SMITH: Madam Chair, if I could have one second.
Welcome to the Legislature. I have a Senate Environment and Energy Committee meeting starting in three minutes, so I have to leave. I’d like to be recorded in the affirmative for all of the remaining items on the agenda.

I would also like to ask if you could bring in at a future meeting whoever is investing our funds for the Judicial Retirement System. I thought the report stunk, no offense. I mean, not the wording of the report, but the performance of the retirement investments is horrible. And I don’t know that I agree with the 7.9 percent annual return assumption that’s justifying a lower contribution from the State. I’d love to be able to stay here and ask questions, but I have to perform my duties with the other Committee.

So if that would be possible, I’d very much appreciate it.

MR. SHAUGHNESSY: Okay, moving on, on to new business.

Thank you, Senator. We appreciate it.

SENATOR SMITH: Thank you.

MS. MELICK: Thank you.

MR. SHAUGHNESSY: Under new business -- No. 4.

RPR 14-12, Greystone Psychiatric Hospital, Block 10003, part of Lots 3 and 4, Denville Township, Morris County.

Treasury, on behalf of the Department of Human Services, requests approval to lease 5,504 square feet of land, located adjacent to an existing fire watchtower on the grounds of Greystone Psychiatric Hospital, to High Mountain Tower, Inc. for the installation, maintenance, and operation of a radio transmission tower, related equipment, and an equipment building, together with access to the site.
The lease will be for five years. The rent for the first year will be $38,000 with annual increases of 3 percent based on the previous year’s rent.

The property was previously leased under RPR 94-10 and was approved by the State House Commission at its meeting of May 6, 1994. All renewal terms in that lease have expired.

Any members have any questions or comments with regard to that?

Any members of the public want to be heard?

MS. MELICK: Assemblywoman Stender.

MR. SHAUGHNESSY: Oh, I’m sorry, pardon me. I need to look first. I’m sorry, Assemblywoman. (laughter)

ASSEMBLYWOMAN STENDER: The renewal terms. So the lease will increase an annual of 3 percent--

MR. SHAUGHNESSY: With each succeeding-- Yes, based upon the prior year’s--

ASSEMBLYWOMAN STENDER: So it’s 3 percent for five years in a row. Then they can renew for another five years with the same terms, three times?

MR. SHAUGHNESSY: Yes, each year it goes up 3 percent. So it’s cumulative: 3 percent, 3 percent, 3 percent. And that continues for all the terms -- all the renewable terms.

ASSEMBLYWOMAN STENDER: Are those terms typical for-- I mean, when these kinds of facilities are put on to private property, is that typical?
MR. SHAUGHNESSY: Yes. It’s been customary to do these sort of five year, with these renewals.

ASSEMBLYWOMAN STENDER: With only 3 percent? Because while that sounds reasonable in today’s economy, in 15 years that may not be, where I think everybody’s expecting that, at some point, inflation is going to break out.

MS. MELICK: Is the 3 percent basically a compoundage?

MR. SHAUGHNESSY: Yes.

MS. MELICK: So it’s $38,000, plus the 3 percent, and then the next year’s 3 percent is based on the-- So it does kind of go up the chain.

ASSEMBLYWOMAN STENDER: I understand that part. But I’m just saying that there’s no accommodation or no acknowledgement to-- (indiscernible) the utility company, or for the, I guess it’s a cell company -- the radio transmission tower to have that kind of consistency. But there’s no accommodation for -- around long enough to remember when inflation was now hitting 7, 8, 9 percent annually. Now 3 percent, even compounded piece, looks silly. That looks like we’re giving it away. And that’s my concern with that, in terms of there should be some kind of ability for us or for the State to be able to benefit, because the companies will certainly benefit from that.

MR. SHAUGHNESSY: Thank you.

ASSEMBLYWOMAN STENDER: Is there any way to make some kind of accommodation for that?

MS. MELICK: The other thing would be to limit the renewal options.
ASSEMBLYWOMAN STENDER: Sorry?

MS. MELICK: One option we could consider would be to maybe limit the renewal option to one five-year renewal or something along those lines.

ASSEMBLYWOMAN STENDER: That actually makes sense to me, because in five years I don’t think anybody knows what this economy is going to look like. I think everybody is hoping it’s going to be better. But at some point interest rates are-- You’re not going to be able to keep them at the low level that they’ve been. And those increases -- cost-of-living increases are going to change.

MR. SHAUGHNESSY: Assemblywoman, in part the 3 percent (indiscernible) of increases are also due to some administrative convenience, rather than be tied to a consumer price index or an inflationary thing. So there is some sort of administrative convenience here both for the State and for the company.

That said, if the Commission determines that there should not be so many renewal options, that’s within the Commission’s province.

ASSEMBLYWOMAN STENDER: I would support that, that way.

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

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

ASSEMBLYMAN BROWN: I’d like to make a motion to approve.
MR. SHAUGHNESSY: Okay, and the motion is to approve the matter for one, five-year term without--

ASSEMBLYMAN BROWN: As written.
MR. SHAUGHNESSY: As written?
DEPUTY STATE TREASURER ROMANO: No, with one renewal.
MS. MELICK: With one renewal.
ASSEMBLYWOMAN STENDER: With one renewal -- one renewal.

MR. SHAUGHNESSY: With one renewal. Okay, five years. I want to be clear on that. Okay -- five years with one renewal.

Do I have a second to that motion?
ASSEMBLYWOMAN STENDER: Second.
MR. SHAUGHNESSY: Okay, motion and second. I'll call the roll.
Special Counsel Melick.
MS. MELICK: Yes.
MR. SHAUGHNESSY: Deputy State Treasurer Romano.
DEPUTY STATE TREASURER ROMANO: Yes.
MR. SHAUGHNESSY: Director Holzbaur.
DIRECTOR HOLZBAUR: Yes.
MR. SHAUGHNESSY: Senator Smith.
Pardon me; he’s been marked in the affirmative. Thank you. Assemblyman Brown.
ASSEMBLYMAN BROWN: Yes.
MR. SHAUGHNESSY: Assemblywoman Stender.
ASSEMBLYWOMAN STENDER: Yes.

MR. SHAUGHNESSY: That matter is approved.

No. 5: RPR 14-13, Block 958, Lot 8, 4165 Atlantic Avenue, Wall Township, Monmouth County.

Treasury requests approval to lease a Department of Environmental Protection residential property to Gretchen Palamara, or a tenant yet to be determined.

This lease was advertised. The property shall be leased at a rate of $950 per month based upon appraised value for a one bedroom, one bath apartment; for a term of one year with two, one-year renewals, with annual increases based on the Consumer Price Index.

Any members have any comments or questions on this matter?

ASSEMBLYWOMAN STENDER: I’m sorry. Since this is my first meeting, could you explain to me why it is the State owns this piece of property and is in the home rental business?

MR. SHAUGHNESSY: Well, it was acquired at some point, I think, by DEP, and I’m not sure of the nature of the acquisition. And I don’t know if DEP does.

ASSEMBLYMAN BROWN: Assemblywoman, I asked the same question when I was first on the Commission. And apparently DEP has these long-term projected plans. And they assemble these lands with these properties on them -- so for these future plans that they’re going to develop, whether it be a highway or--

MR. KOTLER: Reservoir.

ASSEMBLYMAN BROWN: What’s that?

MR. KOTLER: A reservoir.
ASSEMBLYMAN BROWN: A reservoir, yes. They’ve done this-- How many properties does DEP now have?

MR. SHAUGHNESSY: Approximately 25 or 30.

ASSEMBLYMAN BROWN: Yes, it’s not as many as it used to be.

MR. SHAUGHNESSY: Right.

ASSEMBLYMAN BROWN: It’s come down a lot. So they are shedding a lot of the properties that they used to have, based on changes in those plans. I remember testimony when I was here last and asking the same question.

ASSEMBLYWOMAN STENDER: I understand that concept of trying to acquire-- So what is this contiguous to that we would care?

ASSEMBLYMAN BROWN: Well, typically, it’s the prior owner that’s in the property still -- until DEP decides what to do. I don’t know if that’s the case in this one.

ASSEMBLYWOMAN STENDER: I mean, I would think it must be contiguous to something. This isn’t just a piece of-- Or is it?

ASSEMBLYMAN BROWN: Oh, yes.

ASSEMBLYWOMAN STENDER: I mean, is it just a house that we randomly own in Wall Township?

ASSEMBLYMAN BROWN: It had to be something with regards to where it’s located and what they’re going to do in terms of future development.

Is there a reservoir there, you said?

MS. MELICK: Is there anyone from the Department of Environmental Protection who can respond to these questions?
UNIDENTIFIED MEMBER OF AUDIENCE: (off mike) That’s why Treasury-- I mean, Treasury took the property some time ago, so it’s no longer--

ASSEMBLYWOMAN STENDER: I’m sorry; we’ve owned it for so long nobody remembers why? Is that the answer? (laughter)

I mean, I’m willing to be reasonable. I just would like to know what the answer is.

MS. PICCININI YEANY: Well, I’ll start out by saying that I don’t know anything about this particular property. I’m just attempting to give you what I know of the history -- which is that in the past, as the Assemblyman has alluded to, we did have a fair number of houses in areas where either the prior owners were renting them from us, or we chose not to demolish them because they were in these reservoir areas.

Wall Township, Monmouth County -- if I had to guess -- I believe there’s some Manasquan Reservoir properties there and that may be why this house is still standing. The Assemblyman is also correct that we’ve made an effort over the last several years -- especially once we had access to some of our capital construction money -- we’ve been able to demolish more of these properties.

We have cut back substantially on the number of residences we use for employee housing. So we’ve tried to whittle down the list as much as we can. I just don’t know anything about this particular property; it’s just not what I normally deal with. But Treasury administers these leases for us.
ASSEMBLYWOMAN STENDER: So is the person who’s named as the tenant-- Is that somebody who is an employee, or we don’t know that? It’s just whoever happens to be there?

MR. SHAUGHNESSY: No, it’s not someone who’s an employee.

ASSEMBLYMAN BROWN: Oh, no, no.

MS. PICCININI YEANY: I think the description said the lease was advertised, right?

MR. SHAUGHNESSY: Yes.

ASSEMBLYWOMAN STENDER: Oh, so this market value for this -- appraised value for--

MR. SHAUGHNESSY: Yes, the appraised value, and it’s increased on the CPI.

ASSEMBLYWOMAN STENDER: Well, appraised value is sometimes different than market value. Is that -- I mean -- is that what an apartment is going for, a one bedroom in Wall Township?

MR. SHAUGHNESSY: Yes, this is based upon, initially, an appraisal, and then it was increased by the CPI. So that’s why we’re proposing rent of $950 per month. It’s a one bedroom, one bath apartment.

ASSEMBLYWOMAN STENDER: Thank you.

MR. SHAUGHNESSY: Thank you.

Thank you, Ms. Yeany.

Any other questions or comments from the Commission? (no response)

Any member of the public want to be heard? (no response)
Hearing none -- motion?
ASSEMBLYMAN BROWN: Motion.
MR. SHAUGHNESSY: Second?
MS. MELICK: Second.
MR. SHAUGHNESSY: Motion and second.
Special Counsel Melick.
MS. MELICK: Yes.
MR. SHAUGHNESSY: Deputy State Treasurer Romano.
DEPUTY STATE TREASURER ROMANO: Yes.
MR. SHAUGHNESSY: Director Holzbaur.
DIRECTOR HOLZBAUR: Yes.
MR. SHAUGHNESSY: Senator Smith.
Pardon me -- in the affirmative.
Assemblyman Brown.
ASSEMBLYMAN BROWN: Yes.
MR. SHAUGHNESSY: Assemblywoman Stender.
ASSEMBLYWOMAN STENDER: Yes.
MR. SHAUGHNESSY: Thank you. That matter is approved.
We’re on to number -- the Department of Transportation requests -- No. 6 on the agenda.

No. 6 is the Rahway Valley Railroad, part of Parcel 13G, Block 300, part of Lot 5, Kenilworth, Union County.

DOT requests approval to lease approximately 15,610 square feet located in the Industrial Zone to PH Partners, LLC -- it’s an area known as part of the former Rahway Valley Railroad -- for use as additional parking and storage.
The property is partially improved with parts of paved parking spots, and will be leased on a month-to-month basis at a monthly rental of $545, having a base rent of $420, and a monthly municipal service charge of $125, which will increase according to the rent schedule of the lease.

Do any members have any questions or comments on this matter? (no response)

Hearing none, any members of the public want to be heard? (no response)

May I have a motion on this matter?
DEPUTY STATE TREASURER ROMANO: Move it.
MR. SHAUGHNESSY: Motion.
Second?
ASSEMBLYMAN BROWN: Second.
MR. SHAUGHNESSY: Special Counsel Melick.
MS. MELICK: Yes.
MR. SHAUGHNESSY: Deputy State Treasurer Romano.
DEPUTY STATE TREASURER ROMANO: Yes.
MR. SHAUGHNESSY: Director Holzbaur.
DIRECTOR HOLZBAUR: Yes.
MR. SHAUGHNESSY: Senator Smith is in the affirmative.
Assemblyman Brown.
ASSEMBLYMAN BROWN: Yes.
MR. SHAUGHNESSY: Assemblywoman Stender.
ASSEMBLYWOMAN STENDER: Yes.
MR. SHAUGHNESSY: That matter is approved.
No. 7: Route 43 -- current Route 30 -- Section 13D, Parcel V20B and V21B, Block 897, adjoining Lots 7 and 8, Galloway Township, Atlantic County.

DOT requests approval to dispose of an irregular-shaped lot consisting of approximately 9,413 square feet, located in a Highway Commercial Zone, to the only adjoining owner, Rocco Delerato, for assemblage to his adjoining commercial property that has a closed restaurant on the property -- which will allow for the property to be squared off to make it more desirable for sale and future possible redevelopment.

The recommended sale price is $38,000, the appraised value.

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

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

Hearing none, may I have a motion?

MS. MELICK: So moved.

MR. SHAUGHNESSY: Second?

DEPUTY STATE TREASURER ROMANO: Second.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Smith is in the affirmative.

Assemblyman Brown.

ASSEMBLYMAN BROWN: Abstain.
MR. SHAUGHNESSY: And Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Yes.

MR. SHAUGHNESSY: That matter is approved.

Next, moving on to No. 8 on the agenda. Route 35, Section 40, Parcel VX44B, Block 79.01, adjoining Lot 2, Brielle Borough, Monmouth County.

DOT requests approval to dispose of a 0.031 acre or 1,359 +/- square foot vacant lot currently in the R-3 single-family residential zone, to George and Marta Perk, adjacent property owners, for assemblage.

The recommended sale price is $2,000, the appraised value.

Any member have any questions or comments with regard to this matter? (no response)

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

Hearing none, may I have motion, please?

ASSEMBLYMAN BROWN: So moved.

MR. SHAUGHNESSY: Motion.

Second?

MS. MELICK: Second.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Smith in the affirmative.

Assemblyman Brown.
ASSEMBLYMAN BROWN: Yes.
MR. SHAUGHNESSY: Assemblywoman Stender.
ASSEMBLYWOMAN STENDER: Yes.
MR. SHAUGHNESSY: That matter is approved.
Next we have the last part of the agenda considering DEP requests.

No. 9: Flanders Park, Block 6000, part of Lot 12, Mount Olive, Township, Morris County.

DEP, on behalf of the Township of Mount Olive, requests approval to allow the Township to dispose of approximately 0.080 +/- acre of parkland, in fee, and divert an additional 0.017 +/- acre of parkland as easements within the Township’s Flanders Park.

The disposal/diversion is necessary to construct needed improvements to the intersection and allow for minor road widening of Pleasant Hill Road to accommodate a left turn lane, construction of a sidewalk for pedestrian access, and construction of storm water pipes and an outfall structure.

As compensation, the Township will secure 13 +/- acres of replacement land adjacent to Flanders Park. Approval of this disposal/diversion is subject to the conditions as more particularly described in the public agenda.

Does any member have any questions or comments with regard to this?

Yes, Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Thank you.
When I looked at this map -- it’s more on the map that’s enclosed -- the diversion parcel is on a corner which looks like a pretty good-- I mean, it’s 4,000 -- I guess, it’s what? About an acre -- a little over an acre? Lot 12? But then we’re getting in-- And there’s a park that it connects to. So it would actually, I would think, make the park bigger, as opposed to this little strip that doesn’t look like much of anything. I mean, it doesn’t look like it’s like-to-like at all. If that’s what-- This is actually a swap, right? I mean, basically we’re going to give you, we’ll take this piece, and you can have that piece. Is that what it basically is?

MR. SHAUGHNESSY: Yes.

ASSEMBLYMAN BROWN: That’s my understanding.

MR. SHAUGHNESSY: Hi, good morning.

CAROLINE ARMSTRONG: Hi, good morning.

MR. SHAUGHNESSY: Please introduce yourself.

MS. ARMSTRONG: Can you hear me?

I’m Caroline Armstrong with the Green Acres program.

The area that’s being diverted totals about 4,205 square feet. That includes right-of-way that’s being taken in fee; a very thin strip of land of the park property for the roadway improvements and for sidewalk construction; and then about 734 square feet in easements for drainage purposes.

This is considered minor diversion because of the de minimis size, among other things, of the proposed diversion.

Typically, minor diversions are compensated for monetarily, although they can also be compensated for in terms of land. But sometimes
when the land area being diverted is so small it makes more sense, in certain instances, for monetary compensation.

In this case there was an opportunity to secure 13 acres from an adjacent property that is going to be developed residentially. And the opportunity was to obtain that -- for the Township to obtain that in fee. So essentially they’re giving up 4,200 square feet of land and in exchange they’re getting 13 acres. That 13 acres, as you can see, is sort of a long, thin strip of land. It’s not all that thin and, in fact, it’s going to provide an opportunity for a trail that will be able to connect Flanders Park to the north, all the way down to Powerline Park, which you can see identified to the south. So those two parks exist, and this is an opportunity to make the connection. It just so happens that the Township Master Plan has in it -- or the trails plan has in it the goal of doing just that. So here’s the opportunity that presents itself.

ASSEMBLYWOMAN STENDER: So how wide is that? Because you’re right -- it looks very thin on this.

MS. ARMSTRONG: I think it’s about 150 square feet.

ASSEMBLYWOMAN STENDER: And the diversion is only going to be used for traffic improvements, I think?

MS. ARMSTRONG: For intersection improvements and roadway improvements along Pleasant Hill Road, which is the road that the diversion is paralleling -- yes.

MS. MELICK: Excuse me, when we’re looking at the map, the diversion part -- is that just the part that has the little lines on it? It’s not--

MS. ARMSTRONG: Yes, yes.

MS. MELICK: It’s not the whole block, right?
MS. ARMSTRONG: No, no.

ASSEMBLYWOMAN STENDER: It’s not the whole thing outlined in red?

DEPUTY STATE TREASURER ROMANO: No.

MS. ARMSTRONG: The property-- I’m sorry, let me clarify. First of all, Flanders Park consists of three tax parcels. The parcel identified with the red boundary is one of three parcels. That in total is just over two acres -- the area being diverted is 4,200 square feet of the two acres.

ASSEMBLYWOMAN STENDER: Thank you.

ASSEMBLYMAN BROWN: Assemblywoman, on the next page is the engineering diagram of what the improvements are going to be in detail.

ASSEMBLYWOMAN STENDER: Oh, yes, okay. I only got as far as the big one. I see.

MR. SHAUGHNESSY: Thank you.

Are there any other questions by the Commission members? (no response)

Comments? (no response)

Is there anyone else here from the public who wants to be heard on this matter? (no response)

I thought there was someone signed in from Mt. Olive -- if you want to be heard. If not, that’s fine.

Motion?

ASSEMBLYMAN BROWN: So moved.

ASSEMBLYWOMAN STENDER: Second.

MR. SHAUGHNESSY: Motion and second.
Special Counsel Melick.
MS. MELICK: Yes.
MR. SHAUGHNESSY: Deputy State Treasurer Romano.
DEPUTY STATE TREASURER ROMANO: Yes.
MR. SHAUGHNESSY: Director Holzbaur.
DIRECTOR HOLZBAUR: Yes.
MR. SHAUGHNESSY: Senator Smith in the affirmative again.
Assemblyman Brown.
ASSEMBLYMAN BROWN: Yes.
MR. SHAUGHNESSY: Assemblywoman Stender.
ASSEMBLYWOMAN STENDER: Yes.
MR. SHAUGHNESSY: That matter, No. 9, is approved.

On to No. 10 -- South Mountain Reservation, Block 5503, part of Lot 1, Millburn Township, Essex County.

DEP, on behalf of the County of Essex, requests approval to allow the County to grant a 0.088 +/- acre subsurface easement to the New Jersey American Water Company on a portion of South Mountain Reservation. The subsurface easement is necessary in order to allow New Jersey American to relocate a 20 inch and 24 inch water main, and two temporary 18 inch water mains from beneath and alongside the Glen Avenue Bridge over the West Branch of the Rahway River.

The existing lines will be consolidated into one 36 inch main, to be installed within a 20-foot wide by 192-foot long subsurface easement immediately east of the bridge. The 36 inch main will continue to supply water to over 70,000 people in Irvington, Maplewood, and Millburn.
The relocation and consolidation of the water lines is a necessary precursor to the replacement of the superstructure of the Glen Avenue Bridge by the County.

As compensation, the New Jersey American Water Company proposes to pay the Green Acres Program $140,000 for land acquisition in Essex County. As mitigation for the loss of seven trees, the New Jersey American Water Company will also pay $110,000 to the DEP for tree replacement in Essex County.

Do any members have any questions or comments with regard to this matter? (no response)

Hearing none, does any member of the public want to be heard on this matter?

Mr. Moss, please come up.

MR. MOSS: Yes, thank you. And I’ll try to move quickly through this.

We’re all familiar with the Green Acres Program: the Bond Act, starting in 1961, and their consistent approval by the public. We’re all familiar with the success -- the first 50 years, using round numbers, were a smashing, roaring success. I don’t keep the numbers in my head, but we’re all familiar -- the amount of protected open space has increased dramatically.

The New Jersey Chapter of the Sierra Club is concerned now that that upward curve -- starting around this time, it may be starting to bend downwards a little. And as the state gets more and more crowded, there’s less and less open space available. What we’re seeing, time and time again, is developers, utility companies -- whatever -- casting their eyes upon
open space for the simple reason that it’s cheaper to build there. And yet these bond acts all tell us -- and the voters have approved the sentiment -- that this open space is essential to our well-being.

In South Mountain Reservation we’ve had a commuter parking lot, indoor recreation arena, a mulching facility -- the output is natural, but it’s an industrial process -- McLoone’s restaurant. And just in the last year, South Orange Avenue took some land -- expansion -- that was the County taking land. Now we have the water main. We also have the Army Corps of Engineers again looking lustfully after the open space of South Mountain Reservation. Our County Executive says it’s not going to happen, but we don’t know.

But what’s common to all these uses is that the land was available, it wasn’t already built upon. And we can’t continue that way.

At the hearing -- this agenda doesn’t mention it -- but there was a lot of discussion about what you can buy in Essex County with $140,000. People were very doubtful. And there are other problems with this. This would apply also to Mahlon Dickerson Reservation. I’m not aware of any mechanism that tracks all these promises to buy open space. Now, we have to assume that the counties and local governments are acting in good faith. But we don’t have a list; and even if it does happen, we don’t have any way of evaluating what they buy. Is it substantially equivalent in terms of conservation and/or public outdoor recreation?

And in the case of South Mountain -- where we’re looking at, what I’m seeing is a death by a thousand cuts. It’s not conceivable that the purpose of the Green Acres Program is to carve up Essex County’s gem like that and replace it with scattered pocket parts around here and there.
Now, I do have to concede that putting this water main somewhere else would be tricky, because the alternative was getting easements from property owners; on the other side of the street is developed houses. And it might have been necessary to use eminent domain. That doesn’t win friends for open space. However, it is a diversion of land, even though people will be able to use it most of the time once the construction is done -- 5, 10, 15 years -- somewhere down the line. Through no fault of the utility company, they’re going to have to go in and dig because that’s the nature. It is a relaxation of the encumbrance. It’s no longer fully Green Acres land. And they won’t have to come back to the DEP or this body to do their maintenance. That’s because they’re going to have this easement.

One thing I wish I had brought up -- I hadn’t thought at the time -- a practical solution to this problem is that the County should purchase rights of first refusal on neighboring properties. There are a lot-- South Mountain Reservation is pretty much surrounded by residential houses. By purchasing rights of first refusal you avoid the problem of, again, resorting to eminent domain -- making enemies for the Green Acres Program. But you do gain the opportunity of, some point in the future, adding to the boundaries of the park.

And these things should be required on an easement like this. I know it’s small -- South Orange Avenue expansion is also small. I think that has already gone through here, at the last meeting. And there’s a history behind each of these. But with New Jersey reaching build-out, I don’t see this stopping. I don’t see how anybody can see this stopping.
We either have to bite the bullet-- We have to make diversions more expensive. Buying rights of first refusal on existing houses is not going to be cheap, and I don’t think it’s going to be done for $140,000. But if these agencies -- whoever they are, the water utility, the County itself, private entrepreneurs who want to build a restaurant -- if a diversion is made more expensive they’re going to start thinking of alternatives and save DEP from worrying about that so much. And that’s what needs to be done. And I hope the Commission turns this down on the grounds of inadequate compensation.

Thank you.

MR. SHAUGHNESSY: Thank you, Mr. Moss.

Any other members of the public want to be heard with regard to this matter?

Hearing none, may I have a motion?

MS. MELICK: So moved.

ASSEMBLYMAN BROWN: Second.

MR. SHAUGHNESSY: Motion and second.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Smith, again, in the affirmative.

Assemblyman Brown.
ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Yes.

MR. SHAUGHNESSY: That matter is approved.

Next on to No. 11: Bonsal Preserve, Block 3802, parts of Lots 150, 151, 152 and 153 in Montclair, Essex County; and Block 75.13, part of Lot 24, in the City of Clifton, Passaic County.

DEP, on behalf of the Township of Montclair, requests approval to allow the City of Clifton to construct approximately 1,304 linear feet of a 12-inch trunk sewer and associated manhole structures along the northern boundary of the Bonsal Preserve. The new sewer easement will be a 10 feet long, and 5 feet wide maintenance easement along each side of the length of the pipe, for a total easement area of approximately 0.599 acre.

The purpose of sewerage relocation is to move the existing sewer line from the interior of the Preserve to the northern boundary, a more accessible area that will eliminate the need for maintenance crews to disturb parkland and other environmentally sensitive areas in the future. Clifton shall spend at least $20,000 towards restoring disturbed areas with native plantings of trees, shrubs, and grasses.

In exchange, the City of Clifton will abandon its existing 10-foot wide sewer easement that presently traverses approximately 1,383 linear feet of the Preserve, along with any existing access and maintenance rights within the Preserve.

Do any members have any questions or comments in regard to this matter? (no response)
Hearing none, any member of the public want to be heard? (no response)

If not, may I have a motion, please?

ASSEMBLYMAN BROWN: So moved.

MR. SHAUGHNESSY: Second?

DEPUTY STATE TREASURER ROMANO: Second.

MR. SHAUGHNESSY: Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Senator Smith in the affirmative.

Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Yes.

MR. SHAUGHNESSY: That matter is approved.

On to No. 12: Colliers Mills Wildlife Management Area, Block 76, Lots 63, 76, 82.03, Plumsted, Ocean County; as well as Block 18301, Lot 1, Block 18401, Lot 3, Jackson Township, Ocean County.

    DEP requests approval to enter into a 20-year lease with First Energy-Jersey Central Power and Light for the use of a right of way, consisting of approximately 70.5 acres, for the operation, maintenance, repair, renewal, and removal of existing transmission lines for the
distribution of electricity. This lease will replace and supersede a 50-year lease with JCP&L which expired in 2008, and for the same right-of-way.

The rent is based on the State’s August 18, 2011, Interagency State Land Lease Valuation Report for private sector projects, with a 2.5 percent annual escalation clause. Based upon this rate, the rent for the first year will be $460,647. With the 2.5 percent annual escalation, the total rent for the 20-year term will be $11,774,137.

Any members of the Commission have any comments or questions in regards to this matter? (no response)

Any members-- Oh, I'm sorry.
Assemblywoman.

ASSEMBLYWOMAN STENDER: Thank you.

Again, going on the terms, in terms of the rate -- not the rate, which I understand how it’s been established -- but the terms are 2.5 percent annual escalation. How does that-- And that’s just compounded -- simple compounding for 20 years?

MR. SHAUGHNESSY: That’s my understanding.

Is there anyone from DEP who may shed some light on this?

Thank you.

Good morning. Please introduce yourself. Thank you.

GEORGE A. CHIDLEY: George Chidley, Acting Administrator, Office of Leases and Concessions with the Department of Environmental Protection.

Yes, the escalation is 2.5 percent annually.

ASSEMBLYWOMAN STENDER: Is that typical for what these transmission line rates are -- how they are structured?
Mr. CHIDLEY: Typically, in the past, a lot of these were easements where they had to pay $1 a year for every year that they had their property. So I can’t say how typically that is, but going forward, as we go we are using the State House guidelines, and 2.5 percent is what we are calculating against.

ASSEMBLYWOMAN STENDER: So the total rent is $11 million over 20 years just because it goes up each year.

MR. CHIDLEY: Correct.

ASSEMBLYWOMAN STENDER: Thank you.

MR. SHAUGHNESSY: Thank you, Mr. Chidley.

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

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

May I have a motion, please?

ASSEMBLYMAN BROWN: So moved.

MR. SHAUGHNESSY: Motion, thank you, Assemblyman. Second?

MS. MELICK: Second.

MR. SHAUGHNESSY: Second, thank you.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.
MR. SHAUGHNESSY: Senator Smith has reviewed it and is in the affirmative.

Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Yes.

MR. SHAUGHNESSY: That matter is approved.

Next we’re on to No. 13 on the agenda. It’s consideration of a lease. This is for Waterloo Village, Block 371, portions of Lots 1 and 9; Block 384.02, portion of Lot 1, Byram, Sussex County.

DEP requests approval to enter into a 10-year lease agreement with Jeffrey A. Miller Catering Company. The proposed tenant was chosen pursuant to a competitive bid process and will be responsible for the upkeep and maintenance of the property and pay all utility services.

The compensation-- The fixed rent for the first year of the lease shall be $48,000, and shall increase annually by 3 percent beginning on the first anniversary of the effective date. The variable rent amounts due to the DEP are: 7 percent of gross revenue up to $600,000, and 10 percent of gross revenue for revenue over $600,000.

Do any members have any questions or comments with regard to this matter? (no response)

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

Yes, sir; please identify yourself.

JOHN P. INGLESIANO, ESQ.: Good morning.

ASSEMBLYMAN BROWN: Good morning.
MR. INGLESINO: My name is John Inglesino. I’m an attorney with the law firm of Inglesino, Wyciskala and Taylor, located in Parsippany, New Jersey. I represent Mansion Caterers, which trades as Frungillo Caterers.

With me here today is Robert Frungillo, who is the managing member of Mansion, and the principal in Frungillo Caterers. We’re here to ask that the Commission reject DEP’s request with regard to the lease of this project.

Just a word about Frungillo -- the name Frungillo, I think, is synonymous with excellence in the catering business in the State of New Jersey. It is one of New Jersey’s best-known and prestigious catering businesses. A couple of years ago you may have seen the television show Masters of Reception; it was hosted and produced by Kelly Ripa and featured the Frungillos. And certainly the Frungilos are no strangers to the State of New Jersey. They operate the Skylands facility up in Ringwood, New Jersey, which is one the most preeminent and prestigious wedding destination establishments in the State of New Jersey. They’ve been operating there for over a dozen years and have invested millions of dollars into that once-dilapidated State facility, turning it into a very successful business, producer of revenue for the State, and job creation for New Jersey residents.

We really have-- The primary objection that we have to this lease is that it really seems to fly in the face of very fundamental principles of public procurement. And that is that you seek to get the best deal for the State, the best price -- which this did not; this bid does not; and that the process be fair, reasonable, and that there’s a level playing field so that
competitors have an equal opportunity to compete. And if the process is carried out right, usually you get the best result.

Unfortunately, here, as we’ve articulated -- or attempted to articulate in my letter of yesterday -- the process was flawed and the result was not, under any reasonable review, the best deal for the State of New Jersey.

By way of a brief background: The State went out to bid on this property, actually, in 2012. Frungillo was the only bidder. The State decided to not accept that bid and went back out to bid again in 2013.

The purpose of the RFP was correct and is pretty straightforward. It wanted to maximize the revenue to the State from this asset. When you look at the bids, Frungillo bid 12 percent of gross receipts. The bid that came in from the Miller Catering establishment -- which the DEP is recommending -- was 7 percent of gross receipts. Now, after the bid came in, the State went back to renegotiate with Miller. The State would not have any contact with Frungillo whatsoever -- and I will elaborate on that a little bit more in a moment -- which is really troubling with respect to the process; and through a renegotiation that the State had with Miller, Miller decided to up its bid from 7 percent, to 7 percent of gross revenues up to $600,000 of revenue, and then 10 percent over and above $600,000 of gross receipts. So obviously the concept of a percentage of gross receipts was important to the DEP and material to the DEP. If it wasn’t material to the DEP, then they wouldn’t have gone back to Miller to negotiate for a larger percentage of gross receipts.

Remember, Frungillo is at 12 percent of gross receipts. Now, I’m a lawyer, I’m not a math guy; that’s why I went to law school. But 12
percent of gross receipts is better than 7 percent of gross receipts. And it’s still better even when you increase 7 percent to 10 percent over $600,000.

So we have -- the best deal for the State has been proffered by Frungillo, not by Miller.

We look then to the investment that these respective bidders were to make into this establishment. This is an underutilized asset that is requiring and does require a certain financial investment in order to make it profitable, revenue producing, and profitable for the State. Frungillo has offered to invest $500,000 into that facility, and they would do so immediately. That’s upfront capital that would need to be invested in order for the facility to be able to operate in the right kind of way.

Miller offered to invest $200,000 into this facility. Again, I’m just a lawyer, but $500,000 seems to be a lot more than $200,000. Again, the State went back to renegotiate with Miller and would not negotiate at all with Frungillo -- wouldn’t call them, wouldn’t return calls, or e-mails, etc. And Miller, after going back, decided to increase its investment to $300,000 -- still substantially less than $500,000.

Now, there was a point system that the State had devised, apparently to create an appearance of objectivity with respect to its internal deliberations. It’s interesting that although the revenues from this project and the money to the State was supposed to be the reason for this whole project, that accounts for 5 percent of the weight of the points given. We only got 1 point per each percentage of revenue. Now, you have 250 points -- or up to 250 points for non-monetary aspects of your bid. So subjective aspects of the bid such as management plans, mobilization plans, etc. -- which I think that when you go through the bid and you look at it, you’ll
see that they’re pretty comparable. But, again, to the extent the State had questions about Frungillo’s management plan or mobilization plan, they could have returned some of the phone calls that my client made down to the State. They could have looked to the history of management and profitability and success over a dozen years at the Skylands. But they didn’t do that. They just simply awarded in, I think, a very arbitrary and capricious way, a disproportionate number of points to the Philadelphia catering establishment -- Miller -- and discounted, we believe and argue, in an arbitrary and capricious way, points to Frungillo.

Section 6.4 of the RFP states that the proposal would be awarded “to the one most advantageous to the State, price and other factors.” So when you look at the RFP, price, money, revenue to the State is what’s the only thing that is singled out as being important -- as it should be. Then why was that so severely discounted and ignored when it came time to the bid award process?

And by the way, with respect to that $500,000 investment that Frungillo was going to make, there is no discernable credit for any points with respect to the investment that the bidder was to make in this establishment.

So we are completely dumbfounded as to how the DEP could think that Miller’s deal was better for the State than Frungillo’s deal. But we recognize that this is not a competitive bid under the public bidding law. We recognize that the DEP has discretion. We don’t believe they exercised that discretion correctly, and we believe they exercised it arbitrarily, capriciously, and unreasonably.
But what is, perhaps, even more disturbing than the result is the process that was utilized to reach that result. When you look at our submission we reference e-mail trails between the DEP and consultants of Miller dating back to before the RFP was even issued. That’s very, very troubling. And there’s one e-mail in particular which is, I think, disturbing. It’s a July 24 e-mail; it’s referenced on page 2 of our letter. It is from the Miller consultant who, obviously, has some sort of relationship with the DEP in which he indicates that Jeff Miller, the caterer, is “very interested in Waterloo and would be happy to meet with you to discuss any information that might help you in preparing an RFP.”

How could a perspective vendor feel cozy enough with a State agency to participate in the preparation of an RFP? Now, I’ve served as a mayor, and freeholder, and a municipal attorney. The first question I have for somebody who wants to talk about doing business with one of my government agencies is, “Are you a perspective vendor, or do you want to be a consultant? Because you can’t be both.”

You can’t be participating in the creation of an RFP that’s going to benefit you. And the fact that that kind of dialogue was occurring is very, very, very disturbing. What is more disturbing is, as I indicated, that the DEP would not meet with Frungillo even though DEP e-mails acknowledged -- which are set forth in our papers and the e-mails are attached as exhibits -- that the DEP needed to meet with all of the bidders. The DEP never met with Frungillo, post-bid. They met with Miller; never met with Frungillo.

Mr. Frungillo is here and, to the extent you have questions, he can elaborate on the numerous phone calls and attempts that he made in an
attempt to reach out and dialogue with DEP. But DEP never had any interest in meeting or discussing any of the proposals with Frungillo.

So there was an unlevel playing field here. And that is disturbing as it relates to the process.

Why didn’t DEP contact Frungillo to discuss their bid, post-bid, as they did with Miller -- particularly when Frungillo’s bid was a better bid for the State? Why did DEP meet with Miller and not Frungillo? Why did Miller have the opportunity to clarify its proposal but Frungillo did not have that opportunity? Why was Miller favored, from our perspective? And we’re providing you with facts -- facts that are documented in our submission by e-mails. Why was the playing field so unlevel? These are important questions; they are troubling questions.

Now, with respect to the law -- again, we recognize that the DEP has more discretion with regard to the award of a bid in this particular type of process, and in the way that they were going about leasing this property. But that discretion is not without limits. We did some research on that and we found a case on point -- it’s a Jersey City case -- it’s Jersey City v. The Department of Environmental Protection. It’s a 1988 Appellate Division case. And in that case there was a dispute as to whether the public contracts law -- the public bidding law applied with respect to leasing with a portion of Liberty State Park. And the court concluded correctly that the public bidding law does not apply, but in the dicta it says that because the procedure in Jersey City included a request for proposal, public advertising, sealed bids -- just as here -- the Appellate Division took note to reference the fact that the process was realistic and analogous to the State bidding
procedure. And under the facts and circumstances in the Jersey City case, found that the DEP exercised the process in a fair and reasonable manner.

So the process counts here. The DEP doesn’t have the ability to treat competitive bidders unequally, to favor one over the other, to give special treatment to one over the other. And there is strong support for that proposition in the law. The facts here are very clear. The DEP favored Miller over Frungillo.

So we believe that the principles of public procurement -- meaning the best deal for the State and a fair, open, and competitive process with a level playing field -- should be adhered to, and it should be important to this Commission. We submit that both of those pillars of public procurement were not satisfied in this instance and, respectfully, we request that you deny the DEP’s attempt to lease this property to Miller and direct them to go back to the drawing board.

And we’re happy to answer any questions that you may have. And we want to thank you very much for your time.

DEPUTY STATE TREASURER ROMANO: I have a question. Can you hear me, Mr. Inglesino?
MR. INGLESINO: Yes, I can.
DEPUTY STATE TREASURER ROMANO: Just a quick question.

Is your client intending to take part in any kind of administrative process with DEP regarding your allegations about the procurement process?
MR. INGLESINO: My client would be more than willing and has been asking to sit down with the DEP to discuss his proposal -- if that’s your question -- and to--

DEPUTY STATE TREASURER RO MANO: Well, no. I was thinking more in the way of a protest, etc., regarding the-- In other words, I would assume -- and I don’t really know that -- but I would assume DEP has some sort of a formal process for people to file a protest regarding their procurements. And I was wondering if your client was going to do that, given the questions he has raised regarding the procurement process.

MR. INGLESINO: My understanding is, is that once the State Commission -- if the State Commission approves this contract -- that the legal process is to appeal to the Appellate Division. We are not aware of any process within the DEP. If there was one, we would avail ourselves of it. What we attempted to do was interact with the DEP as part of the bid process, but my client wasn’t able to do that.

DEPUTY STATE TREASURER ROMANO: Thank you.

MR. SHAUGHNESSY: Yes, Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Thank you.

Certainly your remarks are very troubling to me, and I think requires us to, from my point of view, based on what we’ve been presented here today-- It’s not -- this application is not something I can support.

My question is, you said there was a consultant for Miller. Who was it, and what firm was it?

MR. INGLESINO: The consultant’s name was Clifford David. That was the consultant.
ASSEMBLYWOMAN STENDER: And is Clifford David part of a firm?

MR. INGLESINO: I’m not sure whether he is part of a firm or an individual, but he was the consultant and there are e-mails as indicating that.

ASSEMBLYWOMAN STENDER: So he was retained directly by Miller?

MR. INGLESINO: He was certainly affiliated with Miller, but I--

ASSEMBLYWOMAN STENDER: But we don’t know who he is affiliated with?

ROBERT FRUNZILLO: He actually-- There was a mandatory pre-bid meeting for all potential bidders, and he, Clifford David, showed up at the meeting and signed in under Jeffrey Miller’s company’s name as a consultant.

ASSEMBLYWOMAN STENDER: Thank you.

MR. SHAUGHNESSY: Thank you, Assemblywoman. Any other Commission members have any questions or comments?

ASSEMBLYMAN BROWN: Is the DEP here?

MR. SHAUGHNESSY: Yes. The question is, is the DEP here to answer some of these questions.

Okay, I don’t know who is designated, or whoever is going to speak on the matter -- please come up.

ASSEMBLYMAN BROWN: You gentlemen can sit back here, and we’ll-- Sorry about that. (laughter)
MR. SHAUGHNESSY: Thank you.

Please come on up, DEP, and identify yourselves.

MARY E. MONTESCHIO, ESQ.: Good morning. My name is Mary Monteschio with DEP.

SALLY LANE: Good morning. Sally Lane, Office of the Assistant Commissioner, DEP.

MS. MONTESCHIO: If we would-- If you like, we'll answer some of the charges levied against us.

First of all, there was a prior bid, and there was one other bidder. And we are in court over that matter as we speak. So I cannot speak much more to that particular first bidder.

However, we moved forward with a second bidding process. We are contacted on a regular basis because of the properties that we are leasing -- which is State Parks, natural resource lands, fish and wildlife lands. They are the gems of New Jersey. And we are constantly approached -- people wanting to lease our properties.

So having been approached by a consultant for someone who eventually won the bid -- it was a daily occurrence with us. It meant nothing to us. We did not approach that individual to have a conversation.

However, we did move forward with our bid. We did advertise, as we are supposed to under the law. And we ended up with only two bidders. We are very familiar with Mansion Catering (sic) because of our contract with them for Skylands -- which is up in Greenwood State Park. It's a beautiful property, beautiful piece of land, beautiful building. And because of our history with them, we are well aware of the financial state of what has been happening with that lease.
When we sat down to evaluate the bids -- and this is in my bid evaluation report -- we were very concerned with Mansion Catering’s financials. They actually showed a negative balance in their checking and savings accounts, and negative earnings -- despite having almost $4 million in revenue last year. And that was our biggest reason for not awarding that bid.

In addition, we-- That was two months ago. At this point we feel that this is not the forum for this kind of conversation; that they had had and still have plenty of opportunities to take this issue to other forums, and to not hold up what is a legitimate lease agreement.

Did you want to say anything?

MS. LANE: Yes. I’d just like to add we took over Waterloo from a defunct foundation that had run it for years. We have enormous problems there. We have been trying very hard to right things. We’ve invested several million dollars already just in reroofing and preserving envelopes of buildings. We did put together an RFP. When that did not work out, when the sole bidder was rejected, we were sort of despairing because this has been a long process. We feel now that we need to go ahead with this.

A consultant -- and the firm name, I think, is Conservation Economics, although I’m not positive of that -- a consultant came to us, and his name is Clifford David -- to talk to us about ways in which his firm could help us lease properties. And he spoke particularly of lots of environmentally sound ways that we might be able to lease properties we hadn’t thought of. Originally somebody met him at a Dodge Foundation meeting with environmental concerns. He wrote us a letter. So this is over
a long period. And then we invited him to come and talk to us. And in the course of that conversation -- a presentation of what he could do for us -- he mentioned having an affiliation with a caterer. We said, “Really?” and asked if he had any interest in leasing buildings for catering. And he said, “Well, the caterer does.”

So the caterer then said he was interested and asked for a tour. The Frungillos had had a tour. I mean, we give tours to people who want tours of properties that we want to lease and that we may, again, be RFPing -- and we did that.

The e-mail-- Mansion Catering’s attorney OPRAed us for everything we have in our records. And we handed over -- as we are legally bound to do -- an e-mail from Clifford David saying what was read. We didn’t reply to it. We didn’t act on it. This is really somebody from the private sector who is unfamiliar with governmental dealing and didn’t know that that wasn’t something that he could invite us to do.

Mansion Caterers has been as much as four months delinquent in paying us elsewhere. They showed us unaudited financials that showed them to be operating heavily in the red. We made what we think is the most reasonable decision on leasing out to a going concern based on our knowledge of Mansion Caterers, as well as everything given to us. The RFP said that we could negotiate with the winning bidder. We, therefore, approached Jeffrey Miller Caterers to negotiate -- which is what we’ve done.

There is a formal procedure for appealing our leases. That was not invoked by Mansion Caterers or its attorney. And we view their actions in a late letter yesterday to the Commission as an attempt to bypass what we think is a perfectly reasonable effort by the State, after a great deal of
work over a long period of time, to lease this property to what we hope is
the best, and think is the best, possible provider of the two we saw.

MS. MONTESCHIO: And if I could add just one more thing
to answer your question about the financials.

We have a similar agreement with Skylands where there’s a
base rent and then there’s a variable rent. I do not believe we’ve received
one dime in variable rent at all. We have only ever received the base rent,
because their audits show that they don’t rise to the level where they would
pay a variable rent; and that was taken into account in our considerations as
well.

ASSEMBLYWOMAN STENDER: It sounds like, from
listening now to you and to this applicant, that one of the public issues is
that their effort to speak to you about these issues was not responded to.
And so you’re saying that the financials were the big issue, but--

MS. LANE: We’re not permitted, during the bidding process,
to have a back-and-forth with the bidders until such time as we resolve. I
mean, they called and asked for updates. We don’t provide updates on our
internal process.

MS. MONTESCHIO: And also under our RFP, we are allowed
to pick and choose who we wish to negotiate with. And it is a similar
language used by Treasury. So we determined that we wanted to have
further conversations with Jeffrey Miller and not with Mansion Catering.

ASSEMBLYWOMAN STENDER: Could you have not spoken
to both of them?

MS. MONTESCHIO: Correct. We speak with all, none, any
one of them. It was up to us to decide.
MS. LANE: And based on our history with the firm, we saw no reason to have further conversations.

ASSEMBLYWOMAN STENDER: Thank you.

MS. MONTESCHIO: You’re welcome.

MR. SHAUGHNESSY: Any other members have any questions or comments of either party?

MR. INGLESINO: (off mike) Mr. Frungillo would like to respond with some information relative to (indiscernible).

ASSEMBLYMAN BROWN: Just one question.

MR. SHAUGHNESSY: Go ahead, Assemblyman.

ASSEMBLYMAN BROWN: When did you do the final approval? Is that the February 21, 2014 date -- that the Commissioner signed?

MS. MONTESCHIO: The award was January 24.

ASSEMBLYMAN BROWN: January 24.

MS. MONTESCHIO: Yes.

ASSEMBLYMAN BROWN: So did you meet with Jeffrey Miller before January 24?

MS. MONTESCHIO: Yes. When we got to a point where we knew who we were going to go with -- where we knew we had to sit down and discuss some issues--

ASSEMBLYMAN BROWN: Right.

MS. MONTESCHIO: Then we decided to have a discussion with Jeffrey Miller Catering.

ASSEMBLYMAN BROWN: Is that where the 7 to 10 percent and all that type of-- Work out--
MS. MONTESCHIO: Yes.

ASSEMBLYMAN BROWN: --escalation--

MS. MONTESCHIO: Yes.

MS. LANE: And the notes of that meeting -- the handwritten notes of the meeting were included in what was sent to you, obtained through the OPRA.

ASSEMBLYMAN BROWN: I just have to resolve the fact that there was such a disparity between the original bidder -- or both bidders -- in terms of their variable income -- based on income, from 12 to the 7. I guess you never-- Because I saw some e-mails from you, that you were asking -- who’s George? -- asking George to schedule a meeting with Mansion. And you were requesting that -- some of the dates, “that we should get together, we should have some questions.” That was from your e-mail.

MS. MONTESCHIO: I don’t recall-- Our copy was so poor--

ASSEMBLYMAN BROWN: Oh, okay.

MS. LANE: The copy-- The scan we got yesterday, we were unable to read most of the e-mails. We saw the one from the consultant, which we’re very familiar with.

ASSEMBLYMAN BROWN: Yes.

MS. LANE: I saw my handwritten notes of the meeting, but most of the others were whited-- I mean, you know, I think it’s transmission.

MS. MONTESCHIO: And my recollection, now that we’re speaking about it, is we did go back-and-forth as to whether we were going
to speak to both bidders, or whether we were just going to exercise our rights under the RFP and only speak with one.

MS. LANE: And after speaking with Jeffrey Miller, their offer seemed to us so good that we ultimately decided not to go through another meeting with Mansion Caterers.

MS. MONTESCHIO: That’s true. Under the RFP it gives us quite a bit of leeway as to who and when we’re going to have negotiations. And, yes, after we sat down with Jeffrey Miller we saw no reason to have a conversation with Mansion Catering.

MS. LANE: Again, we have a contract with Mansion Caterers at Skylands with the same set up of one fixed amount and one amount that’s based on revenue. And through the years we’ve had it, they’ve somehow never reached the revenue. So we were pretty familiar with-- I mean, their numbers, their percentage is higher, but if you get nothing from it--

ASSEMBLYMAN BROWN: Okay. Thank you.
MS. LANE: You’re welcome.
MR. SHAUGHNESSY: Thank you very much.
Any other comments or reply?
Please be brief.
MR. INGLESINO: Yes, I think Mr. Frungillo would like to address some of the financial issues raised.

But I would like the record to be clear that the DEP was not constrained from meeting or discussing with Frungillo the facts, post-bid. In fact, there are e-mails that indicate that they were going -- from DEP --
that they were going to discuss with the bidders. Moreover, there has never
been a default, to my knowledge, with respect to the Skylands facility.

MR. FRUNGILLO: This is potentially a 22-year lease. And
my company is offering almost double what Jeffrey Miller’s company is
offering over 22 years. I’m dumbfounded by this whole process.

To answer the first question, about they don’t see in this
particular lease that -- there being an additional percentage, I don’t get that.
When the bid was set up, when the contract was set up with the DEP for
Skylands some years back, I didn’t write the bid; the State did. And it is
very clear that they raised my rent almost $10,000 a month, and the
percentage overage was over $2.3 million in sales -- that they would get a
percentage. That’s a very difficult number to get up to. I didn’t write it.
We hover between $1.5 million and $2 million in sales. I didn’t write that
bid, so how can I be blamed for that? They raise my monthly rent, and
then they also -- the commission was over $2-point-something million in
sales. That’s number one. So, again, I didn’t write that.

Second of all, on the financial end, we’ve been in contract with
the State for 15 years and never once-- Yes, we were late a few times on
payments over 15 years, but never once have we not paid Skylands their
rent -- a lot of money over a lot of years that we paid. On the count of
financials -- they checked my bankbook balance and it was negative on a
particular day? I don’t get it. So maybe it was; we run a business, we have
several companies -- Mansion Caterers is one of our companies. We’ve
made money every single year, so maybe they caught that bankbook
balance at the one point.
Now, second of all, I was told that I would be brought in for a meeting to negotiate, and I was never brought in. There is definitely a witch hunt against us on this. I am dumbfounded by this whole thing. We’ve had a long relationship with the State, and we thought we were doing a pretty good job at Skylands. We saved that property. That property was condemned, okay? Nobody wanted to go near it. We put our personal money into it. We have a proven history, over years, of taking--And it’s not just Skylands. We have other venues that we run, and other town buildings, and mansions, and cultural centers that we’ve dumped tons of money; we have 20-plus year leases with these companies. And we’re continuing to exist; our company is growing every year. I don’t get that part of it. I’m dumbfounded by the whole thing -- that the State could actually look at this and say, “Because his bankbook balance was negative one day, we’re not going to give the State double the money over 22 years.” I just can’t rationalize it; I’m sorry.

MR. INGLESINO: It may have been a negative estimate of one of the many companies.

I guess what’s puzzling here is that you have one of the most prolific caterers in the state -- owns The Villa in Mountain Lakes, which is a very high-end, well-established catering facility; has over a decade’s worth of experience, hasn’t defaulted on the lease, has made all payments under the lease. And yet to the extent that if the State had questions about the financial viability or concerns about the financial viability of Frungillos, why didn’t they ask? Why did they make no effort whatsoever to say, “Wait a minute. We have a company here that’s been paying us million of dollars at the Skylands for over a decade. They have facilities all over the state.
Why did they show, in this one day, in this one company, perhaps, a negative balance?” You would think that if the DEP was really looking for the best for the State, then they would have called up Frungillos and called them in at least for a meeting on that issue. They refused. They chose deliberately not to engage the highest bidder for the State in any negotiation whatsoever.

The State is losing here, folks, because the process was flawed. And flawed public procurement process produces a bad result for the State.

MR. FRUNGILLO: One last issue. You know, there was a rating system that the committee went through very thoroughly on 200-plus points. One of them was the recommendations of my current venues that I run. And to my knowledge, they rated me half of what the other caterer-- Let’s say I got a 2, he got a 4 out of 5. To my knowledge-- I called the people on my references, and the State has never even called them. Maybe that slipped through, but as far as I’m concerned, how do you rate me if you don’t even call my references? It’s like they didn’t even look at my bid. My management plan was as powerful as their management plan and I got half the points. Please review it. It makes no sense to me. I wish someone told me, and sat me down, and said, “You know what? Your management plan stinks here, here, here, and here. Your references told me this, this, this, and this.” Nothing; not even a call-- Yes, I got a call back. And, yes, you’re right, we did bother you a lot -- and we did because we’re so excited about this property. We were the only bidder the first time around, and they didn’t accept our bid. And because they didn’t accept our bid was because the financials -- the money to the State wasn’t enough. And it’s written in their thing. So I got rejected the first time by the DEP
because -- the first reason was that there weren’t enough bidders; I get that. And then the second reason, a month later, the letter that you had, a month later they said, “We’re not going to take your bid because it’s not enough money for the State.” And now, all of a sudden, a year later, the money part of it is only 5 percent of the whole bid? What’s going on here?

MR. INGLESINO: Thank you very much for your time and consideration.

MR. FRUNGILLO: I’m sorry, guys. I’m sorry. Thank you so much.

MR. SHAUGHNESSY: Thank you, gentlemen.

ASSEMBLYMAN BROWN: I do have one question.

MR. SHAUGHNESSY: Yes, Assemblyman.

ASSEMBLYMAN BROWN: You offered to put $500,000 improvements, and the other company $200,000, correct? How is the $500,000 being transmitted? Is there a loan or something like that?

MR. FRUNGILLO: No, in our RFP we had the president of the bank’s name, and we had stock waiting that we use for investments, okay?

ASSEMBLYMAN BROWN: Right.

MR. FRUNGILLO: And they never called them. It was Enterprise Bank, it was in the RFP. The president of the bank’s name and the number, and that was never -- the conversation never happened.

MR. INGLESINO: You can represent that the $500,000 investment that you placed to make was readily available to invest in that project, upfront, as soon as you got the bid. Is that correct?

MR. FRUNGILLO: Absolutely, yes.
ASSEMBLYMAN BROWN: Okay, thanks.

MR. INGLESINO: Thank you very much.

MS. LANE: I think we need to start by saying that it isn’t we who went in and found that their bank accounts were deficient one day; they, in a bid, gave us only financials showing they were in the red and had been.

We’re dealing with a vendor who we deal with regularly; who has been habitually late in payments; who gave us projections for what the sales would be at Skylands and what we could expect, and has never reached the projections; has a series-- It took us three years to get them to comply with the requirement of their other lease -- that they give us audited financials; three years.

MS. MELICK: I have a question.

Do you have a timeframe in which after this bid was awarded, in which they could have challenged it?

MS. LANE: Yes.

MS. MELICK: And is that time period expired?

MS. LANE: It has.

MS. MONTESCHIO: Assemblyman Brown, I did want to answer your question.

First of all, the Jeffrey Miller Catering bid was $300,000 worth of improvements. And in our negotiations, they said they would put in whatever it took to bring the building up to a high level. And they were talking more in the line of $400,000.

MS. LANE: They also added in the negotiations escrow for future work -- for a new roof or other things. And when we checked--
We’re very familiar with the Frungillo operation, but when we checked Jeffrey Miller’s credentials -- because we weren’t familiar with them -- we talked to a host of nonprofit, historic sites who raved about them and told us that they couldn’t recommend them more, and also told us that they had exceeded expectations.

MR. SHAUGHNESSY: Thank you very much.

MS. LANE: Thank you.

MS. MONTESCHIO: Thank you.

MR. SHAUGHNESSY: That concludes the public comment on this matter.

Do I have a motion with regard to this matter, or any further discussion from the members?

ASSEMBLYWOMAN STENDER: I’m clearly new as a member here. I just have-- I find the whole issue troubling because there is so much difference in the information and representation.

MS. MELICK: Right. And Assemblywoman Stender, I was thinking that maybe we could go into an Executive Session so we could get advice from our Counsel on what, really, the role of the Commission is, as opposed to a question of whether we’re really involved in that process or really what our required role is.

MR. KOTLER: Yes, that would be for attorney/client privilege. And the discussion would remain confidential until that time when that confidentiality is no longer required.

But it would require a motion, second, and a voice vote to go into Executive Session.

DEPUTY STATE TREASURER ROMANO: I’ll move it.
MR. SHAUGHNESSY: Okay, we have a motion to go into Executive Session.

ASSEMBLYMAN BROWN: Second.

MR. SHAUGHNESSY: And a second.

Special Counsel Melick.

MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

MR. SHAUGHNESSY: Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Yes.

MR. SHAUGHNESSY: Okay, that motion is approved.

We’re going to be holding a brief Executive Session. So if everyone could depart the room for a while, thank you.

(The Commission enters Executive Session, 11:00 a.m.)

(The Commission exits Executive Session, 11:18 a.m.)

MR. SHAUGHNESSY: Okay, with regard to item No. 13 on the agenda -- may I have a motion?

MR. KOTLER: Before you do that, let me just -- and that’s we are back in public session.
MR. SHAUGHNESSY: Thank you, Counsel.

DEPUTY STATE TREASURER ROMANO: I’ll move it.

MR. SHAUGHNESSY: A motion.

Second?

ASSEMBLYMAN BROWN: Second.

MR. SHAUGHNESSY: A motion and second.

Special Counsel Melick.

MS. MELICK: I am going to vote yes on this. I appreciate the issues that Mr. Frungillo has raised, but I believe it is the role of the State House Commission to be looking at the actual lease that has been presented to us and whether that is in the best interest of the State. And I do believe that is the case.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: I, too, am going to vote yes on this matter -- again for the reasons the Chair has set out -- that we’re really here to decide whether the lease is in the best interest of the State, not to decide-- Really, I don’t know if this is the correct forum to decide a procurement issue with the DEP. But I do think there was a lot of testimony about the lease process; I guess, in my mind, although a lot of questions were raised, I’m not sure, in my mind, the lease process was so flawed as to make it not in the best interest of the State to proceed with this matter.

MR. SHAUGHNESSY: Thank you.

Director Holzbaur.

DIRECTOR HOLZBAUR: I agree with Rob, and I vote yes.
MR. SHAUGHNESSY: Senator Smith has left to be marked in the affirmative -- as a yes vote.

Assemblyman Brown.

ASSEMBLYMAN BROWN: We’re not a court of law. We’re not here to determine the process -- whether it was followed through or not. Our job is, again, to make sure that the State is receiving a stable, beneficial contract. And with that, I’m going to vote yes based on the information I’m presented here right now. And that’s where my vote is.

Based on what I’ve been shown, what I’ve been given, that’s the direction I have to go towards. I can’t-- Our job isn’t looking at a contract and seeing what the State did or did not do in terms of getting to this point. I just look at the contract and determine from that contract: Is it in the best interest of the State? And, in this one, it looks like it is, in my point of view.

Thanks.

MR. SHAUGHNESSY: Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: I’m going to vote no. We’ve heard conflicting information that leaves more questions in my mind as to whether or not this is, in fact, the best deal for the State. And I’m a no vote.

MR. SHAUGHNESSY: Thank you. That matter has five affirmative votes, and that matter passes.

Next we’re on to No. 14 on the agenda; however, as previously mentioned, that matter is being held.

No. 15 is the final one before the pensions matter. It’s Allaire State Park, Block 48, Lot 10; Block 47, Lot 1, Howell, Monmouth County.
DEP requests approval to enter into a 20-year lease with First Energy-Jersey Central Power and Light for the use of a right-of-way consisting of approximately 9.2 acres for the operation, maintenance, repair, renewal, and removal of existing transmission lines for the distribution of electricity. This lease also will replace and supersede a 50-year lease with JCP&L which expired in 2011, for the same right-of-way.

The rent is based upon the State’s August 18, 2011, Interagency State Land Lease Valuation Report. Based on this rate, rent for the first year will be $60,113. With the 2.5 percent annual escalation, the total rent for the 20-year term will be $1,536,483.

Any members have any questions or comments on the matter? (no response)

Hearing none, any member of the public want to be heard on this matter? (no response)

May I have a motion, please?
ASSEMBLYMAN BROWN: So moved.
MR. SHAUGHNESSY: Second?
ASSEMBLYWOMAN STENDER: Second
MR. SHAUGHNESSY: Motion and second, thank you.
Special Counsel Melick.
MS. MELICK: Yes.
MR. SHAUGHNESSY: Deputy State Treasurer Romano.
DEPUTY STATE TREASURER ROMANO: Yes.
MR. SHAUGHNESSY: Director Holzbaur.
DIRECTOR HOLZBAUR: Yes.
MR. SHAUGHNESSY: Senator Smith has been marked in the affirmative.

Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Yes.

MR. SHAUGHNESSY: That matter is approved.

On to No. 16, Division of Pensions and Benefits. May I have now a motion to sit as the Judicial Retirement System Board?

ASSEMBLYMAN BROWN: So moved.

MR. SHAUGHNESSY: Second?

DEPUTY STATE TREASURER ROMANO: Second.

MR. SHAUGHNESSY: All in favor?

ALL: Aye.

MR. SHAUGHNESSY: The State House Commission now sits as the Board of Trustees for the Judicial Retirement System to approve the following: No. 1, may I have a motion to approve the minutes of the meeting held on December 16?

DEPUTY STATE TREASURER ROMANO: So moved.

MR. SHAUGHNESSY: Second?

MS. MELICK: Second.

MR. SHAUGHNESSY: All in favor?

ALL: Aye.

ASSEMBLYMAN BROWN: Abstain.

Opposed and abstentions?

Abstention, thank you.
No. 2, I need confirmation of the Death Claims, Retirements and Survivor Benefits.

May I have a motion?

ASSEMBLYMAN BROWN:  So moved.

DEPUTY STATE TREASURER ROMANO:  Second.

MR. SHAUGHNESSY:  Motion and second.

Special Counsel Melick.

MS. MELICK:  Yes.

MR. SHAUGHNESSY:  Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO:  Yes.

MR. SHAUGHNESSY:  Director Holzbaur.

DIRECTOR HOLZBAUR:  Yes.

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

Assemblyman Brown.

ASSEMBLYMAN BROWN:  Yes.

MR. SHAUGHNESSY:  Assemblywoman Stender.

ASSEMBLYWOMAN STENDER:  Yes.

MR. SHAUGHNESSY:  Okay, those are approved.

No. 3 is receive financial reports from October 2013 to December 2013.

May I have a motion?

MS. MELICK:  So moved.

MR. SHAUGHNESSY:  Second?

ASSEMBLYMAN BROWN:  Second.

Special Counsel Melick.
MS. MELICK: Yes.

MR. SHAUGHNESSY: Deputy State Treasurer Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SHAUGHNESSY: Director Holzbaur.

DIRECTOR HOLZBAUR: Yes.

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

Assemblyman Brown.

ASSEMBLYMAN BROWN: Yes.

MR. SHAUGHNESSY: Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: This is on the report that we’re--

MR. SHAUGHNESSY: Receive financial statements -- No. 3.

ASSEMBLYWOMAN STENDER: Oh, just-- Okay.

MR. SHAUGHNESSY: Yes?

ASSEMBLYWOMAN STENDER: Yes.

MR. SHAUGHNESSY: That is correct.

Now we’re moving on to No. 4, which is anticipated to be receipt of the annual report of the actuary prepared as of July 1, 2013, presented by Buck Consultants.

Thank you for your patience, gentlemen.

Please introduce yourselves and who you represent.

JOHN D. MEGARIOTIS: My name is John Megariotis. I’m the Deputy Director, Division of Pensions and Benefits. And with me is Aaron Shapiro. He is our lead from Buck Consultants, and I will allow him to introduce himself as well.
AARON SHAPIRO: Hi, my name is Aaron Shapiro. I am a Director with Buck Consultants and the Lead Actuary for the State of New Jersey Judicial Retirement System.

MR. SHAUGHNESSY: Thank you, Mr. Shapiro. Please proceed.

MR. MEGARIOTIS: Aaron has a short presentation. Would it be okay if he handed it out to each one of the members?

MR. SHAUGHNESSY: Please proceed with your presentation.

MS. MELICK: Oh, excuse me.
I believe the vote we are going to be taking on this is that we have received it, and I know you--

MR. KOTLER: This is just the presentation.

MS. MELICK: I know, but could we do the vote first, and then--

MR. KOTLER: There is no vote.

MR. SHAUGHNESSY: There is no vote.

MS. MELICK: Oh, we’re not doing any vote?

MR. SHAUGHNESSY: No.

MR. KOTLER: This is just a presentation.

MS. MELICK: Do we still need to have the quorum in the room? That’s the question.

MR. KOTLER: Well--

ASSEMBLYMAN BROWN: Our caucuses have started.

MS. MELICK: Yes, that’s what I’m trying to get a handle on.
MR. KOTLER: Well, we need a majority of members to be present. The voting is different here. It’s just a majority, but we need, out of seven members total, we need four in the room.

MS. MELICK: Can we ask for the highlights of the presentation?

ASSEMBLYWOMAN STENDER: Yes, because I was going to say-- I mean, actually, I feel like this really needs attention because there are some very serious questions about what the returns have been and what the valuations are as proposed; and what that’s going to mean to the contribution, which I think is looking to be diminished. And that’s a real concern for me, and for all of our pension systems -- that we know that these systems are underfunded, that we are not adequately funding them properly, and that assumptions have been set up to create an approval that says it’s okay to underfund them. So that’s a really serious issue and, frankly, right now I am not able to give this the attention that I feel that this issue really needs. There’s a lot at stake in terms of people’s lives and the amount of impact to our finances here in the State.

I am sorry. But I don’t want to be an obstruction, but I’ve got some important issues that I have to go and deal with in my caucus, as well, in preparation for a voting session. So I am really--

MR. KOTLER: Assemblyman Brown, do you have to leave?

ASSEMBLYMAN BROWN: I got texts that they’re assembling-- I mean, they’re going through the bills.

ASSEMBLYWOMAN STENDER: Yes, we have some important pieces of legislation up today.
ASSEMBLYMAN BROWN: Yes, the legislation that’s coming up for vote today.

MR. KOTLER: Because we need--

ASSEMBLYMAN BROWN: Madam Chair, it’s up to you.

MR. KOTLER: We need, for the Retirement System, four members here -- majority. So if you both leave, then the meeting has to be adjourned.

ASSEMBLYWOMAN STENDER: Because there’s no action. All we’re doing is taking the information from today. You’re not moving on it.

MS. MELICK: Right.

ASSEMBLYWOMAN STENDER: I don’t really want to particularly move to accept it, because I’ve got-- I don’t understand it, and I haven’t had a chance to really review it -- this is just being presented. But I know that there are questions. And I thought that this was going to be an hour long meeting, not three. (laughter)

ASSEMBLYMAN BROWN: I’ll stay. Linda, you can go.

I’ll stay.

ASSEMBLYWOMAN STENDER: You can stay?

ASSEMBLYMAN BROWN: I’ll do it; I’ll stay.

MS. MELICK: Thank you, Assemblyman.

MR. KOTLER: Thank you.

ASSEMBLYMAN BROWN: They’re here, they want to get it going.

MR. SHAUGHNESSY: Thank you.
MR. KOTLER: I appreciate that.

ASSEMBLYWOMAN STENDER: And then I guess on a vote, the vote is-- There’s a vote, what? To receive--?

MR. KOTLER: Assemblywoman, there’s no vote.

ASSEMBLYWOMAN STENDER: There’s no vote? And you have your quorum?

MR. KOTLER: There’s no vote; it’s just a presentation.

ASSEMBLYWOMAN STENDER: Thank you.

MS. MELICK: Thank you.

ASSEMBLYWOMAN STENDER: A pleasure--

MR. SHAPIRO: Should I proceed?

MR. SHAUGHNESSY: Yes.

MR. SHAPIRO: Thank you.

On the agenda here, I have provided some more information than I’ll actually walk through, and provide an overview of the valuation process and what goes into that. I’m not going to spend a lot of time on that.

I will talk about the revised results in the 2012 valuation; and then I’ll talk about some highlights in the 2013 valuation, and the results in the 2013 valuation.

So I’m going to go ahead and jump to Slide 6.

Effective with the 2012 valuation, there has been a change in the methodology as to how the normal cost employer contribution is determined -- to use the full employee contributions in offsetting the employer normal cost contribution. And therefore we have shown here the
revised results as compared to the results initially published in the 2012 valuation report.

You can see here that the revised impact of the normal cost employer contribution is, in the recommended line, $1.7 (sic) million; and then subject to Chapter 1 is 0.6 million -- it goes from 19.1 down to 18.5. The accrued liability contribution, which is serving to fund the unfunded liability in the plan -- that is not changed for the 2012 valuation.

Moving on to Slide 7 -- some highlights from the 2013 valuation. The asset return -- on a market value basis -- was 12 percent. But we use an actuarial value of assets in determining the funded status, and unfunded and resulting contributions, and that was 4.6 percent as we continue to smooth in losses from prior years. That’s relative to the expected return of 7.9.

The total funded status -- again, on an actuarial value basis -- was 44.6 percent. The market value of assets is 39 percent of funded status. While that’s not used to determine contributions, I think it’s always important to keep that in mind -- that it represents the money in the bank relative to the obligation that we have today.

A couple of other highlights from the valuation. We show you here how the membership has changed over time as one of the outputs of the valuation. I would say it’s neither good nor bad -- it’s just an output and a point for you to keep in mind. And the back of this presentation shows highlight demographic summaries for the current valuation relative to the prior valuation -- which I’m not going to delve into, but is there for your reference.
And again, we’re highlighting here that effective for 2012 the methodology has changed on the contribution determinations and employer normal cost.

On to Slide 8. We’re showing here the valuation results, total liability, and total asset value for 2013. So we have a total liability of $620 million, and then an actuarial value of assets of $277 million. So your actuarial value of assets funded status again is 44.6 percent, which is showing a breakdown here and relative to the prior year as well.

The two primary explanations behind the funded ratio -- the drop in the funded ratio and the actuarial value of asset basis is, again, the actuarial value of assets return was 4.6 relative to the 7.9 expected, and that’s due to the smoothing in of prior year losses. And in addition, the Chapter 1 law for 2010, where the full contribution is not actually being made but there’s a ramp up to-- And now we’re, for this valuation, for Fiscal 2015, we’re up to four-sevenths.

On Slide 9 we show a breakdown here of the expected actuarial value of assets -- that’s AVA -- and we show that -- the $8.2 million loss on the actuarial value of assets, and there’s been a slight liability gain of $1.9 million on that -- for a total loss on the funded status of $6.3 million.

On Slide 10 we’re showing the resulting 2013 valuation for Fiscal 2015. With the normal cost recommended contribution of $14.1, the accrued liability contribution -- that’s, again, serving to fund the unfunded -- of $30.2. And then per Chapter 1, the total contribution of $44 is reduced to $25, which is four-sevenths.

ASSEMBLYMAN BROWN: So that’s what you’re recommending?
MR. SHAPIRO: The recommended contribution is $44. Per Chapter 1 it gets reduced. We’re not recommending that it be reduced.

ASSEMBLYMAN BROWN: Okay.

The next couple of slides I can mention just have some demographic highlights, which I’m not going to delve into unless anyone has any questions on any of them.

ASSEMBLYMAN BROWN: We made the contribution last year-- I’m sorry, Chair. Through the Chair; I apologize.

MS. MELICK: That’s okay.

ASSEMBLYMAN BROWN: You made the contribution of $18.5 last year?

MR. SHAPIRO: The $18.5--

ASSEMBLYMAN BROWN: Did the State make that-- Did we live up to that contribution?

MR. SHAPIRO: That is a 2012 contribution for Fiscal 2014, and is expected to be made in Fiscal 2014.

MR. MEGARIOTIS: The contribution is normally made approximately June 30 of each year -- each fiscal year -- so that has been appropriated, and it’s been adjusted slightly based on the recommended methodology change, but it will be made at the end of June.

ASSEMBLYMAN BROWN: Okay.

MR. SHAUGHNESSY: Anything else?

MR. SHAPIRO: That’s all I have.

MR. SHAUGHNESSY: Thank you; thank you for your report.

ASSEMBLYMAN BROWN: Thanks.

MR. MEGARIOTIS: Thank you.
MR. SHAUGHNESSY: I just quickly need a motion to return to sit as the State House Commission.

MS. MELICK: So moved.

ASSEMBLYMAN BROWN: Second.

MR. SHAUGHNESSY: Okay, all in favor?

ALL: Aye.

MR. SHAUGHNESSY: Okay, we’re now sitting as the State House Commission. I don’t think there’s any other business to come before the Commission.

I just need a motion to adjourn.

DEPUTY STATE TREASURER ROMANO: So moved.

ASSEMBLYMAN BROWN: Second.

MR. SHAUGHNESSY: All in favor?

ALL: Aye.

MR. SHAUGHNESSY: The State House Commission is concluded today. Thank you very much for your participation.

(MEETING CONCLUDED)