REPORT AND RECOMMENDATIONS

on

PROPERTY PURCHASE PRACTICES OF THE STATE DIVISION OF PURCHASE AND PROPERTY

A Report by

THE NEW JERSEY STATE COMMISSION OF INVESTIGATION

June 1972

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THE NEW JERSEY STATE
COMMISSION OF INVESTIGATION

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June 1972

TO: *The Governor and the Members of the Senate and Assembly of the State of New Jersey*

The New Jersey Commission of Investigation is pleased to submit an interim report and recommendations pursuant to Section 10 of P. L. 1968, Chapter 266 (N. J. S. A. 52:9M–10), the Act establishing the Commission of Investigation.

Respectfully submitted,

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PREFACE

The Commission during 1971 received information that the State may have paid too high a price for certain parcels of land in the site of the New Stockton State College in Galloway Township, Atlantic County.

An initial field investigation by the Commission's Special Agents gave substance to that information. The preliminary probe also indicated that full exploration of this particular matter could locate inadequacies in land acquisition procedures of the State Purchase and Property Division, especially the procedures involving land appraisals and evaluation of same.

Accordingly, an in-depth probe, followed by private hearings, was undertaken with the principal goal being the development of recommendations for overhauling the Division's procedures and providing greater protection for the taxpayers of this state.

The Commission's findings, based on the sworn testimony, the statements and other data in this public report, are presented in the report's subsequent sections.

Suffice it to say here that the State eventually paid an excessively high price for the 595 acres which were the focus of this investigation. The critical flaws that led to that overpayment were:

> Inadequate and misleading appraisals of land that had changed hands at a premium price at a time when the new college's site search was common knowledge in Atlantic County.
>
> Lack of expertise and safeguards in the procedures of the State Division of Purchase and Property to enable the Division to determine the faults in the appraisals and correct them.

Under the free enterprise system, astute and profit-minded land investors are under minimal restraint in securing the highest prices possible. If in the process someone in the private sector suffers a loss, that is his own loss, and his own money and financial fate are involved.

But when the State gets victimized on a land purchase, it is the taxpaying public that suffers in the end. That, of course, cannot be tolerated.

While this investigation was in progress, the present State purchase and property director, Mr. James O'Connor, took a number of steps on his own to improve procedures relating to land appraisals and evaluation of those appraisals. He also welcomed this Commission's effort to develop more effective procedures on the basis of the facts disclosed during this investigation. He and his staff have cooperated in the development of the recommendations which are summarized in a subsequent section of this report and presented in greater detail in Appendix A. The Commission compliments Mr. O'Connor for his initiative and thanks him for his cooperative effort.

The Commission believes the prompt institution of the procedures recommended in this report is particularly vital at this time, since the voters have approved a $115 million bond issue to keep expansion of state colleges on schedule, as well as an $80 million "Green Acres" bond issue for buying more park and recreation lands.

Those millions of borrowed dollars, with interest, must eventually be repaid by the taxpayers of this State. Surely the wisest and most effective procedures should govern the expenditure of those public monies.

This report describes how a New York City-based land investment group, headed by Sheldon Farber and Bernard Stuchin, bought the 595 acres in question for almost twice the price paid in the most reasonably comparable land sales in the Galloway Township area, and then got almost double their money back when they sold the acreage to the State less than a year later.

The Commission takes note that Farber and Stuchin declined to come to New Jersey to testify under oath before this panel. That lack of full cooperation delayed public action on this investigation. The Commission had hoped that one or both men might be found in New Jersey where our subpœnas are fully effective. But that has not been the case. The Commission felt the goals of this investigation were too important to further delay issuance of a public report with recommendations.

The Commission extends thanks to Mr. James V. Hyde, head of the State Transportation Department's Right-of-Way Division,

and his staff for helping to focus upon the misleading and inadequate nature of the appraisals made for acquisition of the acreage in question and also for aiding in the research for the recommendations contained in this report.

And, finally, the Commission stresses that the inflated price paid for the land for the new Stockton State College should in no way reflect adversely on that fine and much needed institution.

The college is soundly based and soundly run. It has succeeded—and the Commission trusts it will continue to succeed—in its vital mission of creating more higher education opportunity for New Jersey.

In keeping with the policies of the Commission and the State's Code of Fair Practice, the Commission reiterates that any person who feels that any material contained in this report tends to defame or otherwise adversely affect his reputation, has the right to appear before the Commission and testify on his own behalf, or in the alternative to file a statement of facts under oath relating to matters relevant to such material.

SUMMARY

The State of New Jersey paid $1.7 million for the total of 1,586 acres that were assembled as the overall site of the new Stockton State College in Galloway Township, Atlantic County.

The largest single tract in the total land purchases made for the campus site was 595 acres on the west side of the Garden State Parkway with frontage on Jimmy Leeds Road. It was this tract that eventually struck the new college's Board of Trustees as most desirable acreage, particularly well suited to the college's initial building needs.

As a result, the Board on September 15, 1969 voted to make that site (designated site 3A on the Board's site evaluation maps) the top priority purchase of all the land eventually assembled for the college campus.

Saw Mill-Tanners Brook

The 595 acres comprised the bulk of a 622-acre tract assembled during 1954-67 by two corporations directed by some Atlantic City businessmen and professionals.

The corporations were Saw Mill Ponds, Inc. and Tanners Brook, Inc. Mr. Paul Burgess was president of both corporations. Mr. Elwood F. Kirkman was treasurer of Saw Mill.

The Saw Mill corporation owned 612 of the 622 acres. Tanners Brook owned the other 10 acres of the 622-acre tract.

The initial purposes of the owners of Saw Mill were to acquire land in and around an old cranberry bog and create ponds in the bog area for the enjoyment of the families involved in the corporation. Those purposes were carried out and five cabins were erected on the acreage.

However, Saw Mill over the years continued to acquire more land in the Galloway area by outright purchase, quit claim deeds and tax foreclosure sales.

As of 1969, the 612 Saw Mill acres were carried on the corporation's books at a cost of $23,804.14 or $39 per acre. The five

cabins erected on the acreage were carried on the same books at a net depreciated cost of $11,180. The total cost of the land and improvements as indicated on the corporate records was $34,984.14.

County College Interested

In 1964, the Saw Mill property was considered as a possible site for what is now the Atlantic County Community College. The college, however, dropped Saw Mill as a possible site principally because of unsatisfactory access to local roads.

Subsequently, during 1964, Tanners Brook bought for $7,000 a total of 10 acres of land abutting the Saw Mill property and having frontage on Jimmy Leeds Road. The purpose of the purchase was to solve the road access problem and thereby enhance the sales potential of the Saw Mill tract.

Adding the $7,000 cost of the purchase of the 10 acres by Tanners Brook to the $34,984.14 cost of the Saw Mill acreage, the total cost of the 622 acres assembled by the two corporations was $41,984.14.

Decision to Sell

During 1968, a majority of the stockholders in Saw Mill Ponds decided to make a concerted effort to sell the land, and Mr. Burgess listed the 612 Saw Mill acres plus the 10 Tanners Brook acres for sale with a number of agencies. The effort to sell the 622 acres extended into the spring of 1969.

Public Knowledge

The possibility of a new state college in southern New Jersey, with particular reference to Atlantic County, was the subject of extensive coverage by news media in 1968 and 1969, as new State bond issue proposals were formed and eventually approved for financing, among other things, expansion of the state college system.

The appointment of the first Board of Trustees of the new Stockton State College was publicly announced in January of 1969, with that Board publicly disclosing the initiation of a search for a campus site. By early May, 1969, the Board let it be known publicly that the search had been narrowed to the southeast por-

tion of Atlantic County. One trustee of the college testified that he by May, 1969 had sounded out the availability of land adjacent to the Seaview Country Club in Galloway as a possible land site.

Prior Knowledge Denied

The Commission notes, however, that the selection of the particular acreage in Galloway Township by the Board of Trustees was not publicly announced until the fall of 1969. The Commission also notes that Messrs. Burgess and Kirkman repeatedly testified before the Commission that they had no prior knowledge or indication that the State would eventually buy the tract when Saw Mill and Tanners Brook on May 21, 1969 entered into an agreement to sell the 622 acres to a New York-based land investment group at an estimated $500 per acre.

The New York group was headed by Sheldon Farber, who is in the factoring business and is also an attorney, and by Bernard Stuchin, who operates a real estate business.

Closing and Coincidence

A tentative date for closing the sale from Saw Mill Pond and Tanners Brook to the Farber-Stuchin group was set for July 23, 1969, but the closing was postponed on the contention that a new survey was needed to guarantee the exact amount of Saw Mill's acreage involved in the sale.

Once the survey was completed, the closing was rescheduled for September 4, 1969 in the offices of the Chelsea Title Company, Atlantic City. The day before, the Farber and Stuchin group officially formed a limited partnership known as Oak Pond Associates for the purpose of making the purchase.

September 4, 1969 also happened to be the day that Stockton College ordered active evaluation of the Saw Mill-Tanners Brook tract as a possible site for the college campus.

The Commission notes, however, that Dr. Richard E. Bjork, now president of Stockton College and the person who directed active evaluation of the 3A site on September 4, 1969, testified he was totally unaware that that was the same day the acreage was sold to the Farber-Stuchin group. He also stated categorically, that the two events happening on the same day was pure coincidence.

The Commission also notes that Mr. Kirkman testified he was totally unaware of the two events coinciding on the same day and that he also stressed in his testimony that the agreement to sell the acreage had been entered into in May, well before the September 4, 1969 date.

False Price Listed

Settlement sheets for the September 4, 1969 closing were prepared by Charles Morgenweck, then a representative of Chelsea Title, but who has since left that company. The sheets listed the selling price as $329,250, which was $33,000 higher than the actual, agreed-on selling price of $296,250 or $476 per acre for the 622 acres.

SCI agents discovered that a Chelsea Title check for $33,000 was drawn and made payable to Samuel Bobbins, the Atlantic City real estate man representing the Farber-Stuchin group, under the guise of being a commission payment to Bobbins.

Acting as a conduit on Farber's instructions, Bobbins took the $33,000 check, plus $9,000 from his actual commission payment of $28,625, and purchased a bank cashier's check for $42,000 payable to the order of "Gramercy Account."

The $42,000 cashier's check was deposited September 8, 1969 to the account of "Sheldon Farber Gramercy Account" which was maintained at the Royal National Bank, New York City.

Subsequently, Farber and Stuckin divided the proceeds of that check, each receiving $21,000.

Farber, in a interview with SCI agents, initially did not recall receiving the $42,000 check from Bobbins. But when confronted with the details concerning the $33,000 Chelsea Title check and the $9,000 from Bobbins' commission, Farber changed his position by stating he and Stuchin were entitled to "an override" or "finders fee" for putting the deal together.

He also claimed the false settlement sheets and the covert return of the $42,000 were irrelevant as far as other partners in the group were concerned. The Commission, however, notes that other partners had already granted Farber and Stuchin a $40,228 percentage allowance for "managing" the deal.

In addition, the final Oak Pond Associates partnership tax return overstated the actual purchase price by $33,000 by listing $329,250 as the price paid for the land.

The Site Search Proceeds

From the beginning, the Board of Trustees of Stockton State College put emphasis on accomplishing prompt selection of a campus site so the college could open its doors on schedule by the fall of 1971. The Board by early May, 1969 was convinced that the southeastern portion of Atlantic County was the best area for the college site in relation to population and transportation factors.

The Trenton firm of Alvin E. Gershen Associates was chosen to do the site evaluation studies on a sub-contracting basis made through state-assigned architects for the college project, Kramer, Hirsch and Carchidi, Trenton.

The Gershen firm submitted its first report on June 23, 1969. The report mentioned some possible Atlantic County sites but made no reference to the Saw Mill-Tanners Brook (3A) tract.

By direction of college officials on August 18, 1969, the Gershen firm undertook evaluation of 13 sites still not including the 3A tract, even though one of the 13, designated site 3 on evaluation maps, was on the eastern side of the parkway across from 3A.

The report on those 13 sites was submitted to the Board of Trustees by the Gershen firm under the date of August 27, 1969.

The 3A Site Surge

The Saw Mill-Tanners Brook acreage was first brought to the attention of the then president of the Board of Trustees, David L. Taylor, a consulting engineer from Moorestown, by G. Raymond Wood, now deceased but then executive director of the Southern New Jersey Development Council.

Testimony given before the Commission indicates that Mr. Taylor learned about the site from Mr. Wood in either late July or more probably in early August and that Mr. Taylor subsequently brought the site to the attention of the Board of Trustees and college officials.

After Dr. Bjork, On September 4, 1969, ordered active evaluation of the 3A site, that site rapidly surged toward total prominence in the Board's considerations.

The site was included in tracts surveyed by air on helicoptor flights taken by the trustees September 8, 1969. On that day, the Board unofficially decided that the 3A tract should be the location for the college.

A revised Gershen Associates report containing the 3A site was ready for the September 15 meeting of the Board. On that day, the trustees voted 9-0 to choose that tract as the core site for the college campus.

Subsequently the Board, through the State Department of Higher Education, requested the State Division of Purchase and Property to purchase the tract.

The Appraisals

Charles F. Sullivan, then director of the Division of Purchase and Property but who left office February 13, 1970, selected from a list of appraisers maintained by the Division, two firms to appraise the 3A tract. They were Atlantic Appraisers, a division of S.C. Schefrin and Co., South Orange, and Interstate Appraisal Co., Cherry Hill.

Mr. Sullivan testified that he checked out the capabilities of all appraisers before retaining them and that he tried to get geographical balance in appraisers chosen for specific appraisals. But the Division did not have any firm, written standards or procedures for pre-qualifying appraisers before putting them on the list.

On October 28, 1969, Mr. Sullivan by letter, authorized appraisals of the site by the two firms. Atlantic Appraisers began initial moves toward its appraisal in November, 1969. Interstate Appraisal began its appraisal of the site during December, 1969.

Atlantic submitted its appraisal of $485,788 on January 19, 1970, and Interstate submitted its appraisal of $541,500 on February 4, 1970. Atlantic was paid $26,200 for its appraisal and Interstate was paid $24,700 for its appraisal.

Mr. Samuel Schefrin, proprietor of Atlantic, testified that he made extensive use of tax records and maps on file with the Atlantic County Board of Taxation. One result of that approach was that he ended up with 20 or more reports on individual tax map parcels ranging from one-half acre to 178 acres, all contained

within the 595-acre tract the State was to purchase eventually from Oak Pond Associates.

This subdivision approach was included in Mr. Schefrin's appraisal report which used lands far under 595 acres in size as comparable sales. Mr. Schefrin also testified he at least had heard the tract he was appraising had been included in toto in the September 4, 1969 sale at a price in the area of $296,250 but that he did not feel it necessary to use that sale as a comparable land sale in his appraisal.

In fact, he testified that he was advised by Mr. William R. Schumacher of the State Bureau of Special Services in the Purchase and Property Division, that the September 4, 1969 sale was not important and that he (Schefrin) then marked that item "not pertinent" in his appraisal report.

Mr. Schefrin also testified that he did not learn about and, therefore, did not consider two recent large-tract land sales in the Galloway area, namely the October, 1968 sale of 385 acres by Sable Realty to Seaview at an average of $222 an acre and the April, 1969 sale of 505 acres by Desiderio to Marrazzo at an average of $260 an acre.

The Interstate appraisal, initiated by Robert James, who has since left that firm, and concluded by Robert Sapio of that firm, did treat the tract as an undivided whole. But in two of three instances of large-tract lands used in the Interstate appraisal, the tracts had been only offered for sale, so that listing or asking prices rather than consummated sales were used in the market value analysis that led to the appraisal figure.

The third large-tract comparable in the Interstate appraisal was a June, 1967 sale of acreage to the duPont Co. for use in connection with a plant facility in Salem County, some 30 miles away from the Galloway area.

The Interstate market value analysis did not make use of the September 4, 1969 sale of the acreage from Saw Mill-Tanners Brook to Oak Pond. The dismissal of that sale as a comparable was apparently based on a contention that it was not a typical arms-length transaction.

The Interstate firm also did not use in its market value analysis the two large-tract recent sales in the Galloway area—the October, 1968 sale to Seaview at $222 per acre and the April, 1969 sale to Marrazzo at $260 per acre.

Appraisals Are Processed

The appraisals, once submitted to the State, were processed by the then long established procedure of reference to the Purchase and Property Division's Bureau of Special Services.

The Commission notes that the Bureau personnel, although well seasoned in what has been an appraisal processing procedure, includes no person with M.A.I. (Member, American Institute of Real Estate Appraisers) or near-equal qualifications for expertise in post-appraisal analysis.

The testimonial record before this Commission shows that the Bureau called in Mr. Schefrin and Mr. James for discussions about reconciling differences in the two appraisals. Because of those differences, Mr. Schefrin, according to his testimony, decided to increase his appraisal figure by a formula he devised for adding 10 per cent for "assemblage," another 10 per cent for "time," and $25,000 for interest.

Because the Division, through the Bureau, lacked the procedures and expertise to detect the shortcomings in the two appraisals, they continued to provide a seeming veneer of accuracy and served for what appeared to be an outwardly valid basis for the Division, then headed by Mr. Edgar H. Myers, since deceased, to make an initial purchase offer of $500,000 for the 595 acres and on July 8, 1970 to close the purchase for $550,000 or $924 per acre.

Critiques Requested

At the Commission's request, two respected M.A.I.'s in New Jersey analyzed the two appraisals and submitted reports to the Commission. Both those M.A.I.'s found that less than reasonable and acceptable standards had been used in arriving at those appraisal figures and that the figures, therefore, were considerably higher than they should have been.

One of those M.A.I.'s and his staff found on the basis of their market analysis of what they determined to be the most reasonably comparable large-tract land sales in the Galloway area (including the September 4, 1969 sale of the key tract), the proper appraisal figure for that acreage should have been $300 per acre.

The Commission notes that that figure is far below the $1,084 per acre that the State paid on the average for the 1,586 acres eventually acquired for the college campus at a cost of $1.7 million.

No Condemnation

Officials of the college naturally were anxious to have the purchase of the key tract of land accomplished quickly so that construction of buildings would not be delayed.

Apparently someone in the Purchase and Property Division gave those officials the impression that a resort to condemnation would have necessarily meant inordinate delay. The college never sought or received legal advice on this point.

The Commission's legal staff, as part of this investigation, researched and prepared a legal opinion (see Appendix C) which indicates that under eminent domain laws in existence in the first half of 1970, if those laws were read in conjunction with one another and a 1953 opinion by the New Jersey Supreme Court was taken into consideration, the college could have entered into possession of the land prior to payment for that land at that time.

The expansion of the State college system has become a matter of great public priority in recent years in New Jersey. As a result, a new law was enacted and took effect in 1970, after the initial Stockton College land purchases, to clarify and spell out specifically the right of state college boards of trustees to take immediate possession of lands by eminent domain.

But it remains the Commission's opinion that, clarifying and useful as that new law may be, Stockton College under previous eminent domain laws could have taken prompt possession of the 3A site in Galloway without waiting for payment to be made for the land.

The Commission concludes that expert and timely legal advice to the college could have avoided an erroneous impression about the effects of condemnation and could possibly have resulted in the State's paying a more reasonable price for the land.

APPRAISAL CRITIQUES SUMMARY

The Commission requested that two respected M.A.I.'s (Member, American Institute of Real Estate Appraisers) analyze the two appraisals of the 3A tract made for the State and which served as the basis for the purchase price paid by the State.

One of those M.A.I.'s is James V. Hyde, Director of the Right-of-Way Division of the New Jersey Transportation Department. The other is Mr. Alton W. Van Horn of the firm of Van Horn and Dolan, Elizabeth.

Some of the findings and conclusions of the reports submitted by Messrs. Hyde and Van Horn are summarized below. However, this summary is presented only for reasons of brevity for this section of the report and is not intended to be a substitute for the full texts of the two reports which appear in Appendix B and which should be read in connection with this summary presentation.

MR. HYDE'S REPORT

As to the appraisal by Mr. Schefrin's Atlantic Appraisers, Mr. Hyde found that the use of about two dozen reports on different tax map, block and lot designations, ranging in size from one-half to 178 acres, was not a proper technique for appraising 595 acres that were being purchased as a single, undivided tract.

"The major fallacy of the Atlantic Appraisers reports," the Hyde report stated, "is that only small tracts not comparable to the 600-acre ownership under appraisal were used as a basis of comparison. Having a much greater degree of road frontage and for other related factors, small sales of this type reflect a much higher acreage value than would result if comparable large tracts of land were utilized as the basis of comparison."

As to the Interstate Appraisal Co. appraisal report, the Hyde report finds the major fallacy is that the value conclusions in that appraisal are almost totally based on two listings or offers of sale rather than consummated, open market transactions.

"This results in a totally inflated value conclusion not representative of the market," the Hyde report states. "Additionally,

the only actual consummated sale used in support of Interstate's value for Oak Pond is entirely out of Atlantic County over 30 miles distant in Salem County, and concerns a giant chemical company that made a special purpose assemblage to acquire water resource for a sizable installation.

"Thus this sale does not represent the normal open market concept, let alone the lack of comparability by reason of its remoteness from the subject. Use of this sale, therefore, tends to reflect an inflated value as do the listings."

The Hyde report made its own market analysis of the real estate market in the Galloway area to determine the most reasonably comparable large tract sales that should have been used in arriving at an appraisal figure for the state's purchase of the 3A tract. Those large tract sales were:

Date	*Grantor*	*Grantee*	*Consideration*	*Size*	*Reflects per Acre*
10-29-68	Sable Realty	Seaview (Weisbecker)	$85,500	385±	$222
4-24-69	Desiderio	Marrazzo	$131,340	505±	$260
2-16-70	W. J. Marrow	J. & M. Land Co.	$61,500	240±	$250
9-4-69 9-4-69	Saw Mill Pond Tanner Brook, Inc.	Oak Pond Assoc. Oak Pond Assoc.	$296,250	622±	$475
				4)	$1,207
		Average Price per Acre		(use)	$300

At a $300 per acre appraisal for the 3A tract, the Hyde report finds that the approximately 600-acre tract purchased by the State reflects by average market comparison a value of $180,000.

The report also finds that if the higher price paid for the acreage on September 4, 1969 were excluded by reason of any proof that the sale was not a typical arms-length transaction, the proper market comparison would reflect an average of $250 an acre or $150,000 for the acreage.

The Hyde report reaches these final conclusions about the appraisals made for the State for purchase of the core site for Stockton College:

> Normally a prudent appraiser would have given virtually total consideration to the heretofore mentioned open sales of large tracts which actually were

consummated and whose location is within minutes of the subject property.

The use of listings instead of comparable sales, plus one special purpose sale located over 30 miles distant, by Interstate appears to result in a grossly inflated value estimate not representative of the actual sales market.

The use of small non-comparable 5 to 10 acre tracts with a huge percentage of road frontage by reason of submitting over 20 separate appraisals on the one single ownership as followed by Atlantic appears to have resulted in a grossly inflated value not representative of the market.

If a review of the two appraisals had been made by qualified personnel, there is little doubt but that the same discrepancies here reported would have been uncovered and questioned prior to property expenditure.

MR. VAN HORN'S REPORT

As to the Atlantic appraisal, Mr. Van Horn's report also takes issue with the subdivision of the 3A tract for purposes of appraisal.

"The hypothetical or arbitrary division of the appraised holdings," the Van Horn report states, "lays the groundwork for a process ultimately followed in the summary which on the one hand, gives the hypothetically divided individual parcels the benefit of a subdivision or sectoring which neither exists nor appears to have a basis in logic and, on the other hand, totals up the value of the individual-appraiser divided parcels and then adds a plottage value of 10 per cent.

"The deliberate process of dividing then adding back together along with a benefit for restoring them to what they were before the arbitrary division appears to be unsupported by anything dealt with in the reports, and to result in adding value at each of the two steps."

The Van Horn report is also critical of the Atlantic firm's failure to make prime use of two very comparable large tract sales in the Galloway area. They are the April, 1969 sale to Marrazzo at $260

an acre, roughly a mile east of the tract appraised for the state, and the October, 1968 sale to Seaview at $220 an acre, only three miles east of the tract appraised for the State and, like that tract, having frontage on Jimmy Leeds Road.

The Van Horn report labels as a "rank inconsistency" the dismissal in the Atlantic firm's appraisal of the Sept. 4, 1969 sale of the 3A tract as "not pertinent."

"Under these circumstances, the dismissal of this normally prime and cardinal indicator of value should constitute grounds for refusal to accept the reports and/or adopt the value conclusions," the Van Horn report states.

Among the conclusions reached about the Atlantic appraisal by the Van Horn report are:

> The total spectrum of omissions, inconsistencies, logic-lacking mechanics and unsupported value opinions force this reviewer to the conclusion that these reports, individually and/or collectively, do not meet or approach reasonable and acceptable standards.
>
> If one goes beyond the entirety of the Atlantic material submitted and bases one's thinking on all of the seemingly correct and relevant data among all the material submitted—the conclusion must be that Atlantic's values are substantially in excess of the reasonable value of the Oak Pond holdings appraised by Atlantic.

As to the Interstate firm's appraisal, the Van Horn report is also critical of the failure to use in valuation analysis the two very comparable large-tract Galloway area sales to Marrazzo and Seaview.

The Van Horn report also singles out for criticism the Interstate appraisal's dismissal as a legitimate consideration the Sept. 4, 1969 sale of the site 3A acreage from Saw Mill-Tanners Brook to Oak Pond.

"A recent sale of the subject property should, in principle, be the most meaningful indication of value unless there are very compelling reasons for setting it aside," the Van Horn report states. "Those given are emphatically not compelling."

The Van Horn report takes note that listings or unconsummated land sales were used in the Interstate appraisal and comments, "asking and getting are so different that offering prices have no probative value whatsoever."

And the Van Horn report is also critical that a consummated sale used by Interstate as comparable was two counties and more than 25 miles away, and appeared to fill a special need of the industrial purchaser for water for a plant facility.

The Van Horn report reaches these conclusions about the Interstate appraisal:

> The Interstate Appraisal Co. report is less than desirably informative in certain respects.
>
> The opinion value is not supported by the data given prime reliance in the report.
>
> Proper handling of data known to the appraiser should have resulted in a different and significantly lower value.

RECOMMENDATIONS

PREFACE

The primary and overriding goal of these recommendations is to assure that a land purchase price approved by the State Purchase and Property Division has been expertly and soundly arrived at, expertly and thoroughly reviewed, and is indeed a valid price.

The recommendations dwell mostly on appraisal and appraisal review procedures, since this investigation showed those were the areas critical to the failures that led to overpayment for the 595 acres in question.

Specifically, the recommendations are designed to produce well documented, market-oriented appraisals which lead to reasonable and supportable estimates of fair market value.

The major recommendation areas are summarized below. They also are presented in full detail in Appendix A entitled "Standard Appraisal and Appraisal Procedures for the Division of Purchase and Property."

SUMMARY OF RECOMMENDATIONS

1. Fee appraisers should be pre-qualified by the Purchase and Property Division before being considered eligible for appraisal work for the State.

A. The Division should maintain on a statewide basis a list of the pre-qualified fee appraisers.

B. Qualification guidelines to evaluate educational background, experience and professional recognition of applicant appraisers should be used in pre-qualifying them.

C. Standard application forms should be developed and used in pre-qualification of appraisers, along with consideration of sample appraisal work done by the

applicants and with personal interviews of the applicants by the Division.

2. Fixed fee schedules should be used for paying for appraisals wherever possible, so as to keep to a minimum the instances of negotiated fees.

A. The fixed fee schedules used by the Federal Highway Division are recommended for use by the State Division of Purchase and Property as amounts that represent just and fair compensation for services rendered, including court testimony.

B. In all instances where an appraisal fee shall exceed $250, a qualified person from the Division shall visit the site and determine the number and type of appraisals needed, and either estimate the proper fee or apply the appropriate fee from the fixed fee schedules.

3. There should be minimum requirements for all fee appraiser contracts which should all be in writing and approved by the Director of the State Division of Purchase and Property on behalf of the State.

A. No work should be subcontracted in any part by a fee appraiser unless specifically indicated as part of the contract.

B. Each fee appraiser on completion of an appraisal shall file a sworn and duly witnessed affadavit, attesting to his personal field inspection of the property, the truth of statements in his report, and the correctness of information on which the report's opinions are based.

4. Appraisal reports shall be independently reviewed by an authorized and qualified review appraiser before the start of negotiations or testimony in court. The Commission places particular stress on this recommendation for post appraisal review as the key to avoiding inadequate and misleading appraisals in the future.

A. By reason of the staff of qualified professional reviewers maintained by the New Jersey State Department of Transportation, it should be standard

operating procedure that that agency's Right-of-Way Division's director and staff shall, on a cooperative basis, review and set forth findings as to fair market value prior to the institution of any negotiations for a property purchase.

B. In the event of an emergency which would preclude post appraisal review by the Right-of-Way Division, the State Purchase and Property Director should retain outside review appraisers on a retainer commensurate with the project in question.

5. Expert legal counsel should be available to both the state agency for which property is being purchased and to the State Purchase and Property Division from the inception of negotiations for purchase of property through closing of the purchase.

TESTIMONY

Land Is Assembled

Mr. Paul C. Burgess, who was president of Saw Mill Ponds, Inc., was asked about that corporation's nature and purpose. Mr. Burgess, with Daniel Bell, Jr. appearing as counsel, was duly sworn and testified:

Q. Could you tell us when that corporation was first formed?

A. In 1954.

Q. How did the formation of that corporation come about?

A. How did it come about?

Q. Yes.

A. Well, we had—I had a group of friends and we had an opportunity to buy an old cranberry bog. It had been a saw mill in Colonial times, but it had been a cranberry bog from about the year 1800 up until we bought the property. But it had been abandoned and was all covered with pine trees and that sort of thing. We had a chance to buy that at a very good price, so we bought that and formed a corporation to hold the title.

Q. What was the purpose of the purchase, you know?

A. To create a lake. To create a lake and build some cabins along there for each of the families. In other words, the stockholders were represented by six families, and that was the purpose; to build, fill the lake, to clear out the pine trees and bring it back into a lake and to build cottages for weekends.

Q. What was the stated purpose of the corporation?

A. Just to hold title to the land.

Q. Just to hold title to the land?

A. Yes.

* * * * *

Q. In addition to the original acquisition of the cranberry bog did the corporation also acquire additional pieces of property in the same locale?

A. Yes, over the years. Over the years we attempted and we did add a number of acres to the original purpose. Whenever the opportunity would arise, we would buy adjoining land, that's right.

Q. And can you tell me what the purpose of that was?

A. To get more land.

Q. For the same reason, to——

A. Yes, to increase our holdings, that's right.

In 1964, the Saw Mill property was considered as a possible site for what is now the Atlantic County Community College. The college was interested in obtaining 200 acres. But Saw Mill was dropped as a possible site, principally because of poor accessibility to local roads.

Mr. Elwood F. Kirkman, with Daniel Bell, Jr., appearing as his counsel, was duly sworn and testified:

Q. Now, in approximately 1964, Mr. Kirkman, were you approached by the Atlantic County Community College relative to selling a portion of the Saw Mill property?

A. I forget how I was approached, but it was discussed at that time about the Saw Mill Pond property for the college, yes.

Q. What's your best recollection with regard to those discussions?

A. My best recollection was that I, being interested in having the college come to Atlantic City, tried to encourage my partners to give this property to the college as a gift.

Q. What was the eventual disposition of that?

A. Sites were selected, additional—another site was selected and they were not interested in the property.

Q. So that you had known of an interest in bringing a college to the Atlantic County for some time?

A. I knew about it at that time with the Community College, yes.

Q. As a matter of fact, you were on a board of a group of citizens who were interested in securing a college for Atlantic County?

A. I was on a committee, yes, I think about that time when the Jersey—when the Community College was—program was effected.

Q. Do you recall the group of citizens that Elizabeth Alton was president of?

A. I know Elizabeth Alton, yes.

Q. Wasn't she president of a citizens group to——

A. She was chairman, I think, of some citizens group of higher education. She's always been interested in having higher education facilities in Atlantic County. I've known her since she's a little girl.

Q. So that it would be safe to say you were generally familiar with the efforts which were being made to bring or to locate a college?

A. The first college, yes.

After the county college lost interest in the Saw Mill acreage, Tanners Brook, Inc. bought in 1964 for $7,000 a total of 10 acres of land abutting the Saw Mill property and having frontage on Jimmy Leeds Road. The purpose of that purchase was to solve the access problem and thereby enhance the sales potential of the Saw Mill tract.

Mr. Burgess testified as to the importance of the 10-acre purchase by Tanners Brook:

Q. Now, in addition to the property held by Saw Mill Ponds, you yourself individually held some property in the name of Tanners, did you not?

A. That's right.

Q. When had that property been purchased?

A. When was is purchased?

Q. Yes, sir.

A. The piece you mean that was sold to these people?

Q. Yes, sir.

A. In 1964.

Q. Was that property also up for sale or did you put it up for sale at the same time as Saw Mill?

A. Yes, it was for sale at the same—as a matter of fact, it was a key piece of land in the Saw Mill Ponds tract fronting out on a county road.

Negotiations for a Sale

During 1968, Saw Mill Ponds decided that a concerted effort should be made to sell the tract of land. That effort extended into the spring of 1969. Mr. Burgess testified:

Q. Whose idea was it, Mr. Burgess, or who first had the idea to sell this property which was held by Saw Mill Ponds, Incorporated?

A. Well, this came about by all of us growing older; by one of our members, Tom Glenn, dying some years, a few years ago; vandalism and theft going on at least twice a year to all of our cottages. It's in a secluded section. As a matter of fact, I was broken into on an average of twice a year for a number of years. So when Mr. Glenn died, Mrs. Glenn was afraid to be up there alone. As a matter of fact, all of our wives were afraid to be up there without their husbands, and, as

I say, we were getting old. Our children were married. They had no use for it. So we decided to sell.

* * * * *

Q. When did your group decide to sell, Mr. Burgess?

A. When did we decide to sell?

Q. Yes, sir.

A. In 1968. In 1968 we decided to sell and I had it listed with a number of people for sale.

Q. In when, sir? December of 1968?

A. In the year. The exact date—well, yes, all through the year of 1968 we had it listed for sale and were trying to sell it, that's right.

Samuel Bobbins of Atlantic City was the real estate agent representing the New York City-based group, headed by Sheldon Farber and Bernard Stuchin, which was ultimately to buy the Saw Mill-Tanners Brook tract. Mr. Burgess testified about contact with Mr. Bobbins:

Q. When did you first list it with Mr. Bobbins?

A. With Mr. Bobbins? I would say it was in April. Let's see. It must have been about April in 1969.

Q. Can you tell us how that came about?

A. Yes. Mr. Bobbins had had a number of fairly large deals in land and properties around Atlantic City. He seemed to always have money that he could get out of New York. So I met him on the street one day and he asked me if I knew of any large tracts of acreage for sale around South Jersey, and I told him about Saw Mill Ponds.

Now, about three—he came in the office the next day and I gave him a little sketch, a map showing the location, and about three weeks later he came down and he said he had showed it to some people. And I asked him who they were and he said—he gave me their names. He said, "These are people that I sold the President Hotel to and they have plenty of money."

So he came and they looked at it and he came back and told me that they were interested in buying.

Q. Did he discuss with you or did he tell you why, what the purpose was?

A. No, no, no, only that they were looking for acreage. There are a lot of New York people looking for acreage around South Jersey. They have been for several years.

Q. What was your asking price on the property at that time?

A. 3—500 an acre to all of these people that I listed it with.

Q. And how did you arrive at that figure, or how did you set that figure?

A. Just arbitrarily, in other words, I figured there was land being sold around that section for around that price, 500 an acre.

Mr. Bobbins had his own recollections about the start and development of negotiations to buy the Saw Mill-Tanners Brook tract. Mr. Bobbins, with David A. Biederman and Robert L. Mulligan appearing as his counsel, was duly sworn and testified:

Q. Now, then, Mr. Bobbins, did there come a time in the spring of 1969 when you became engaged in a real estate transaction between Mr. Paul Burgess and individuals known by the name of Sheldon Farber and Bernard Stuchin?

A. Yes.

Q. Can you tell us when that business transaction commenced, to the best of your recollection?

A. Yeah. Well, as far back as I remember I used to see Mr. Burgess consistently, and he had some land. He had two tracts of land. One was the Saw Mill Ponds, which he and the other gentlemen, Glenn and Clark and Hansens, owned, and Kirkman. They owned that personally and they just had that for their own personal use. And he had 2,000 acres of land in the Pine Barrens, and he had discussed the

Saw Mill Ponds with me practically two years before '69, and I was trying to convince my clients in New York, Sheldon Farber, to buy the land and at some given time, I don't remember the exact date, Farber read about five bridges going across the lower portion of the state into Delaware and Pennsylvania and he felt that South Jersey was going to open up, so he said, "All right, go ahead and buy it, negotiate."

Q. Now, excuse me. You said that you and Mr. Burgess, you had been in discussion with Mr. Burgess for some two years prior to the spring of '69?

A. Not actually in negotiation, but from time to time when I would go in there and he knew I represented these people and other people—I've been making some deals, pretty good deals in Atlantic City—and he would say to me that they were getting ready to sell it. But I never came in in that interim period to discuss price or to discuss purchase with him because my people weren't ready to buy it at this time. I was trying to convince them, but they weren't ready to buy.

Q. And you say they were getting ready to sell. I take it Mr. Burgess and the other partners in this corporation you mean?

A. Yes, they would have sold it; they would have sold it.

* * * * *

Q. All right. Will you tell us when Mr. Farber contacted you and in what fashion?

A. Well, I was in touch with Mr. Farber, but I don't know the exact date.

MR. BIEDERMAN: Excuse me. This is my partner, Mr. Mulligan.

MR. MULLIGAN: How do you do?

MR. PHELAN: For the record, Mr. Mulligan, Robert Mulligan, is also appearing as counsel for Mr. Samuel Bobbins.

A. (Continuing) I don't know the exact date when the article came out in the New York Times when he

told me to go ahead and talk about both pieces of ground to Burgess.

Q. This resulted from his reading an article that five bridges were going across South Jersey into Delaware?

A. Into—yes, into Delaware and Pennsylvania.

So I started to discuss, negotiate with Burgess, and they finally arrived at $150 an acre for the 2,000-acre tract in the Pine Barrens and we arrived at $500 an acre for the Saw Mill Pond tract.

Q. Now, when was this done, sir?

A. This is the information I gave Mr. Cayson. I tried to set down dates to the best of my knowledge. It would—had to be in the latter part, I imagine, of '68 or the early part of '69.

Q. That you had arrived at these figures?

A. That we finally got to these figures, yes.

Q. *Latter '68, early '69?*

A. Yes.

* * * * *

Q. How did you arrive at the five-hundred dollar figure per acre for that 600-acre tract?

A. He (Mr. Burgess) had the figure of 500 an acre because he had told me a couple of years before that he had offered to Green Acres at 500 an acre and that's what they thought the value was.

* * * * *

Q. When yau say you arrived at the figure of 500, was that the figure that was being asked for?

A. He asked 500 an acre for it, yes.

Q. Was there any negotiation?

A. None. It was just in terms that we negotiated.

Q. Are yau aware of the fact that Mr. Burgess also had an interest in a small corporation called Tanners Brook?

A. Yes.

Q. Are you aware of the fact that in October of 1968 Tanners Brook sold to the Seaview Country Club some 385 acres at a price of $222 per acre.

A. No.

Q. You weren't?

A. No.

Negotiations for the Saw Mill-Tanners Brook tract continued further into the spring of 1969. Mr. Burgess decided to sell the 2,000 Pine Barrens acres to another party, but the Saw Mill-Tanners Brook was still offered to the Farber-Stuchin group for a sale on a cash basis for $500 per acre. Mr. Bobbins testified further:

A. Yes. Subsequently Burgess came back and he told me he had sold the 2,000 acres in the Pine Barrens to some broker that represented a church in North Jersey. So I told him the way I felt. I told him that I represented clients, I told them that we had negotiated a deal, it was all set, and then he did something like that and my people in New York said, "Sue him for commission." I says, "You don't sue people like that for commission."

I says, "Do you want the other piece?" And they said, "Well, all right."

* * * * *

Q. Why did Burgess say he wanted to deal in cash at this point?

A. He told me that by the time—see, two of the people had died and now it was, these people were getting older and there was wives and children involved and the spread would be too wide. So he felt that if they did it all cash, then each man could take his proportion and separate and go.

Q. He told you that everyone was getting old and they all wanted to get out of their property?

A. That's what he told me. Nobody was using it, to a certain extent. Two of the Glenns' sons would go up there once in a while. They had four nice houses on it. But only the—only Hansen was using his. Clark didn't go up any more. Burgess went over once in a while. Kirkman actually didn't go at all. And they had originally bought it so many years back when they were all younger.

* * * * *

Q. Had you discussed the price per acre with Mr. Kirkman at all in connection with this sale?

A. No. All my dealings were with Mr. Burgess. The only time I spoke to Mr. Kirkman was, I felt that Mr. Burgess had not played fair with me; he had sold off the 2,000 acres when he promised me the 2,000 acres. I tried to get Mr. Kirkman on the phone and he didn't call me back till maybe a week later. Burgess called me back and said. "Okay, we can make the deal, Saw Mill Pond," and then Kirkman called me up and said, "I told Burgess go ahead, sell you the Saw Mill Pond."

Q. Do you recall when that was?

A. But I never discussed price with him. And I never dealt with him in my negotiations. It was always Burgess.

* * * * *

Q. There is no question though, that Mr. Kirkman did call you and he advised you that he had told Burgess to sell?

A. Yeah. Told me that I could have the piece of land for my plans, that's what he said.

Public Knowledge

As noted in the summary section of this report, there was much publicity attendant on the possibility of a new state college in Atlantic County in 1968 and 1969, with public disclosure by the college's Board of Trustees in May, 1969 that their site search was concentrating on southeastern Atlantic County.

Mr. Burgess testified about any knowledge of the Board's site search in Atlantic County:

Q. Now, Mr. Burgess, if I may, is it my understanding, sir, that up until you sold this property you had no knowledge at all that a college was being located or situated in Galloway Township?

A. No knowledge whatever.

Q. Did you have knowledge that a college was being situated in Southeastern Atlantic County?

A. At the time, at the time that we signed our agreement of sale I had no knowledge that there was to be a college any place in Atlantic County.

Q. And you say that you don't recall reading anything in the newspapers about that?

A. Not before we signed the agreement to sell, no.

Q. Were you aware there was a bond issue on the ballot of 1968 which called for the establishment of such a college; do you recall anything like that?

A. No, I don't.

Q. Do you know Mr. Farley?

A. Yes, I know Farley.

Q. Are you stating to us that you were unaware of his efforts to secure a college for South Jersey?

A. No, I won't say that. I know that they have been trying for years to try to get a college in South Jersey.

Q. But in the spring of 1969 you were not aware that a college was being established in South Jersey?

A. Not in May when we signed our agreement, no, that's right.

* * * * *

Q. Now, Mr. Burgess, so we understand precisely, I call to your attention an article which appeared in the Atlantic City Press on March 25, 1969, which is entitled, "College in Atlantic County." It goes on, of course, for some paragraphs. And I take it that you missed that article?

A. I don't remember ever seeing this in the paper.

Q. Do you know Charles Reynolds, the editor of the Atlantic City Press?

A. Charles Reynolds? No, I don't know him.

Q. I call your attention to the article which appeared on 5/8/69, entitled "Southeastern Atlantic College"—"Southeastern Atlantic County Selected for Four-Year College"?

A. This was in May, wasn't it?

Q. Yes, sir, May 5th of 1968. 69. Pardon me.

MR. BELL: Excuse me. It says "May 8th" in pencil.

MR. PHELAN: Pardon me. May 8th, 1969.

Q. May we also assume, sir, that you missed that?

A. No, I don't remember seeing that, either.

Q. Now, Mr. Burgess, if you did not know, sir, that this college was being developed in Southeastern Atlantic County, is that also the position of the other partners in this corporation, that none of the partners knew that there was a college being developed?

A. Well, I wouldn't know whether they knew or they didn't know. But it would be my judgment they did not know. At least, they never said anything about it to me.

Q. Was there ever any discussion about it?

A. No discussion whatever, no.

* * * * *

Q. I show you another article of the Atlantic City Press of Saturday, January 18, entitled "Area

College Trustees Named.'' I also assume that you do not recall seeing that?

A. I would have had to—I would have had to see some of these articles you're talking about. But if I did, it didn't ring a bell with me when we made this sale. In other words, they don't pinpoint this or put it in any one location.

Now, I couldn't miss that in the Press, but it certainly rang no bell with me because they were appointing any trustees.

Q. Well, the other articles had indicated it was going into Atlantic County or it was going into Southeastern Atlantic County?

A. Well, southeastern. Southeastern Atlantic County is quite a big section in there. I would not take by these articles that they were going to pick out Saw Mill Ponds and that would be a part of a big area they were going to take in in that section there.

Mr. Kirkman was asked about any knowledge he might have had about the college's site search. He testified:

Q. Now, were you familiar with the efforts made in 1968 to secure a bond issue for the building of a college in Atlantic County?

A. Only that I was interested in helping to support that as a civic citizen, yes, civic-minded citizen.

Q. Do you know the former Senator, Hap Farley?

A. I know Hap Farley, yes.

Q. For how many years have you known Senator Farley?

A. Since 1917.

Q. Were you familiar with——

A. We were freshmen in high school together.

Q. Are you familiar with the efforts that Senator Farley had been expending throughout 1968 to secure legislation, secure bond issue for the building of a college in South Jersey?

A. Not too much about that, no.

Q. Would you consider yourself fairly knowledgeable with regard to real estate and activities throughout Atlantic County?

A. I would say so, yes.

Q. With regard to civic affairs throughout Atlantic County?

A. Yes, very much interested.

Q. Do you generally keep abreast of the activities which are going on in Atlantic County?

A. Yes, sir.

Q. I assume you are completely familiar with the Atlantic County Press?

A. Atlantic City Press?

Q. Yes.

A. Read it. I'm not—I don't know what you mean by familiar, but I read it daily.

Q. Mr. Kirkman, what is your best recollection as to when you first learned that a college was going to be built in the vicinity of Atlantic County?

A. You mean the second college or the first one?

Q. About the college, the full four-year college that presently exists there now.

A. When I first learned about it? I would say only through the press releases, or generally that way, general knowledge. When it was I'm not sure.

Q. You were not familiar, sir, with the bond issue——

A. Yes.

Q. ——which had been——

A. Yes, I knew there was a bond issue. I think I actively supported it by letter or something to the board of education or the educational facilities. I was for a second college there, yes, the bond issue, yes.

Q. That bond issue was on the——

A. I would be for anything that would be developing Atlantic County.

Q. The bond issue was on the ballot, do you recall, sir, in November of 1968?

A. I forget now when it was, but I remember it was on that time. Probably November, '68, yes.

Q. And do you recall it was approved?

A. Yes.

Q. Do you recall that a board of trustees for a college to be located in Atlantic County area was appointed in January of 1969?

A. I don't know when, but I know there was a board of trustees appointed.

Q. Now, at any time did you contemplate that the property held by Saw Mill Pond Associates might be a likely site for such a college?

A. Never contemplated it, no, sir.

Q. You had contemplated some four years earlier that it might have been a site for the earlier Atlantic County Community College, had you not?

A. Yes, sir.

Q. Can you explain to us why it didn't occur to you that this college might not be situated at that site?

A. Well, it never occurred to me. We had the property for sale. If they wanted to buy it, that was something else. But it never occurred to me. I was not that interested in the site to—about a college being settled there, no.

Q. Can you tell us why, sir?

A. I don't know why. Just had no interest in it. Had no particular interest in it.

Q. Can you tell us why you had an interest four years earlier in the earlier college but had no interest in the college now being located on this site?

A. I just didn't have it. I don't think it necessarily follows that if I wanted to get the first college there I didn't have to be interested the second time, and I wasn't particularly interested in it.

Q. But you were extremely interested in bringing a college to the area?

A. Yes, sir, and there's reasons for that. You want me to tell you the reasons?

Q. Yes, sir, please.

A. Yes, I'll be glad to tell you. NAFEC. We almost lost NAFEC because we did not have college facilities around the Atlantic County area so that the professors, I mean the men working at NAFEC could act as professors in the college and use it for educational purposes. Those civicly minded back in those days felt there should be a college in Atlantic County so that we could hold NAFEC in that area. That was the real reason back of it.

When we had the college, I wasn't particularly interested in the second one.

Q. When you had the Atlantic County Community College?

A. We had that.

Q. But you still were a member of Mrs. Alton's group to secure a full four-year college for your area?

A. I supported Elizabeth Alton, yes. She asked me to and I did, yes. I would back her on anything she would like to do civic minded. She's a great lady.

Q. Mr. Kirkman, I show you an Atlantic City Press article, dated Saturday, January 18th, 1969, entitled "Area College Trustees Named." I ask you if you recognize those individuals.

A. I know Mrs. Alton; I know Mr. Hayward; I know Mr. Reynolds; I know Mrs. Leuchter. She's from Vineland. Her husband's a paper man. I don't believe I know Mr. Brooks, and I don't believe I know Mr. Lindsey.

Q. Do you know a Mr. William Koeneke, who's a banker from Cape May area?

A. I know him very well. He's president of the Marine National Bank in Wildwood.

Q. Now, following the naming of the board of trustees, Mr. Kirkman, would you say it was common knowledge throughout the Atlantic County area that a college was going to be built in the Atlantic County vicinity?

A. I'm not sure, but there was general conversation about it, yes. I mean, I would be aware that they were trying to get the college there in Atlantic County, yes.

Q. Now, knowing as many members of the board of trustees as you just mentioned, did you at any time attempt to approach or to contact any of them relative to your property at Saw Mill Pond?

A. Absolutely not.

Q. Would you tell us if the property was for sale in January of 1969? You had not yet had a buyer, had you, sir?

A. We didn't have a buyer, no.

Q. Would you tell us any reason why you didn't contact the trustees and suggest this as a possible site?

A. Just didn't do it.

Q. If you were attempting to sell the property, can you explain to us why it was not done?

A. I don't know. Mr. Burgess was handling that. I did not contact any of them nor had any plans to do so.

Q. Did you discuss it with Mr. Burgess?

A. No. About the college? No.

Q. Did you discuss with him the sale of the property?

A. To the college? No.

Q. Did you discuss with anyone in the State the property?

A. Absolutely not.

Q. Weren't you interested in selling it to the State?

A. We'd sell it to anybody. We would have sold it to anybody. But I was not negotiating the sale and had very little to do with it. Mr. Burgess was handling that.

Q. Would you say that Mr. Burgess was aware of the fact in the spring of 1969 that a college was going to be built or the state was looking for property for a college?

A. I don't—I would assume he would be, yes. I don't know that, but I would assume he would be.

Q. Did any of the other partners of the corporation discuss with you the possible sale of this property to the State for a site for the college?

A. Absolutely not.

William C. Koeneke, a member of the college board of trustees and president of the Marine National Bank, Wildwood, became interested on his own initiative in a tract of land as a possible campus site and got authorization from the board to check out the site's availability. The tract, eventually numbered 1 in the site selection reports prepared for the board, was adjacent to the Seaview Country Club in Galloway and had frontage on Route 9. Mr. Koeneke, being duly sworn, testified:

Q. Do you know, have you known, Elwood Kirkman very long?

A. Oh, I guess thirty years or more as a result of infrequent associations in the banking fraternity.

Q. Do you recall in the spring, or May of 1969, do you recall after being named to the site selection committee discussing with Mr. Kirkman a piece of property in the vicinity of the Seaview Country Club?

A. Yes. As far as I recall, that was my own idea. We were finally decided it would have to be somewhere in that area, and I thought I had a happy thought that perhaps if there was sufficient ground next to Seaview, that maybe Mr. Kirkman or some other influential men might have enough ground they would want to give to the college for free.

Q. Do you recall other members of the committee also discussing the same matter with him?

A. No, no, I don't believe so. To my knowledge, no. To my knowledge it was my idea, because I go down there myself, just rode along Jimmy Leeds Road and rode up Route 9. And then that was questionable whether there would be sufficient acreage available and then someone on the board, when I reported back to the board the next meeting, I don't know who said it, "Well, Koeneke, you better see how Seaview people think about it. We don't want bad neighbors. We don't want any delays, injunctions, if they happen to own some of it. Why, it could interfere with their golf course and we could have unpleasant relationships, which we don't want the college to have to start."

As a result of that I called Mr. Kirkman and told him there was some possibility that the college—that the site next to Seaview would be under consideration as one of many sites; would he have any knowledge of whether there would be any ground that someone might give, or would Seaview Country Club as an operation or as a club object to the college. So he was a little surprised, I believe, but called me back in two or three days and said that the—they had a meeting of their—whatever it is that governs Seaview, and they would be highly displeased if the college located right there, right next to them, because it would interfere with their operations; it would inflict too much traffic on Route 9. And as much as I can recall, "Why don't you go back Jimmy Leeds Road? There would be more ground available and it probably would be less expensive."

So the matter was dropped. I reported to the Board and the matter was dropped.

Q. You did report that conversation to the site selection committee, or to the Board I should say?

A. I believe. I wouldn't have any knowledge of what meeting, or whether it was a committee meeting of which we kept no minutes or whether it was an official Board meeting I don't know.

Mr. Kirkman had little recollection of any discussions about the availability of possible sites for the college:

Q. Did you know throughout the summer of 1969 that the site selection committee for the college to be located in Atlantic County was actively seeking a number of different sites?

A. Only what the groups would say, something like that. I don't know much about it, no.

Q. You never discussed it with anybody?

A. No, sir.

Q. You never discussed it with Mr. Koeneke?

A. I don't believe I did. You come back again. He might have said something to me one time when we were talking about banking. I had no formal discussion with him. He might have made some remark about it, but I did not discuss it with him in any manner that we wanted to sell it or anything like that, definitely not. But we had already sold it by then. We sold it in May, April, May. We had an agreement in May, I think it was.

* * * * *

Q. When did you become aware, Mr. Kirkman, that the State was extremely interested in this particular site as being a site for the new college?

A. I wouldn't be able to answer. I know after we sold it and it was in the newspapers. I picked it up through the newspapers. I was not informed any way or discussed it with anybody.

Q. Well, assume, then, from——

A. I don't know how I found out about it particularly except it was general discussion. Maybe our fellows told me. I don't know right at this moment.

Q. I assume, then, from your testimony that you never really discussed the sale of this property or the consideration of this property as being a site for that college?

A. Absolutely not, absolutely.

Q. When did you first hear about the price at which that property was sold to the State of New Jersey?

A. I don't know. I heard it discussed once afterwards, months afterwards. I don't know what the price was right now. I know it was somewhere in the vicinity of maybe $8-900, but I don't know.

Q. Well, do you know what the sale price was at the time your people sold to Oak Pond Associates?

A. No, no, absolutely not.

Q. Did you know that you were selling your Saw Mill Pond property for $286,000?

A. I knew we were selling it for $500 an acre, whatever the acreage was, less a commission, yes.

Q. Did you know that the same property was sold to the State for $950 an acre, approximately?

A. No, I don't. I don't know what the actual sale was.

Q. Well, do you know that now?

A. If you tell me that, I believe you, yes.

Q. Prior to your coming here today in an interview between our agents and yourself did they advise you of that?

A. They didn't tell me the exact amount like you're telling me today, but they said it sold for considerably more. What the exact amount, they may have said 8, $900. I don't know. I knew it was more. How much I wasn't interested. We're sold, we're gone, we're out of it.

Q. After that you had no more interest in it?

A. I had no more interest, no, sir. Couldn't have. What interest could I have?

Q. If I were to tell you that the property sold to the State nine months after your sale for some place in the neighborhood of $940 an acre, would you have any reaction?

A. In what way? I couldn't make any difference about it. What could I do? I had nothing to do with it. What? What? What?

Q. Do you have any reaction to that at all?

A. You mean would I be mad or upset that I didn't get more? We had sold it. What could I do? I don't know what arrangements were made with the State. I had no interest in it.

Q. But you had not—

A. We would have sold it to the state for $500 if they had offered to buy it. I know that. I would have. That was our sale price.

Q. You would have. Well, if you were looking for a buyer, can you still give us any reason why nobody contacted the state relative to the availability of that property?

A. I don't know; I don't know. We had it for sale. Burgess was handling that. I had nothing to do with that angle, except if anybody came along and offered it, we would have sold it.

Q. Certainly you would have sold it for $500 an acre?

A. Certainly. We had held it that way for about three years when we determined to sell it.

Q. And you discussed it with nobody on the site selection committee?

A. No, sir; no, sir. Someone might have made a remark to me. I don't know. But not to discuss it with anybody. I don't know. I can't remember if someone made some side remark about it after it was done. I don't know. But certainly not before our sale, absolutely. When it was sold, it was gone.

Land Is Sold

When the May 21, 1969 agreement to sell the Saw Mill-Tanners Brook tract to the Farber-Stuchin group was signed, a tentative date for closing the sale was set for July 23, 1969. However, that date was postponed to Sept. 4, 1969 on the contention that a new survey was needed to guarantee the exact amount of Saw Mill acreage involved in the sale.

The agreement of sale was for 654 Saw Mill acres. A new survey was undertaken and showed the true Saw Mill acreage to be 612. With the 10 Tanners Brook acres, the true total acreage involved in the sale was 622.

Mr. Bobbins testified about the delay in the closing date:

A. After contract was signed they (Farber-Stuchin group) employed Mr. Woods through Judge Mark Vasser, who represented them legally down there, to make a survey. And then we got to the settlement, which was July the 23rd. Then the question came up as to how many acres there really was at $500 an acre.

Q. Well, did Mr. Woods make his survey?

A. No, he hadn't completed it.
They originally said there was 654 acres.

Q. Who said that?

A. The sellers said that that's what it was; that it was 654 acres. But they had no survey. They had an old map, but there was no definite survey.

Q. Well, that was what Mr. Woods was supposed to do, wasn't it, do the survey?

A. Yes. So when we went to settlement on July the 23rd, the survey had not been completed, so everything was held pending the completion of the survey.

Q. When you say "went to settlement," did you physically go to the Chelsea Title?

A. Yes, all parties were there.

Q. When you say "all parties," who do you mean?

A. There was Farber; there was Stuchin; there was Mr. Clark, Walter Clark; it was Paul Burgess; it was one of the Glenn boys, I don't know which, and Hansen. That's as much as I remember.

And the question came up where they said, "Well, if you say six fifty-four, if Mr. Woods comes in and says there's a difference there, what are we going to base it on?" So Farber asked them to warrant the fact that within 50 acres he would take and they finally decided, let's leave everything in escrow until

Mr. Woods finishes off his survey, and they finally got together in September 4th.

The Farber-Stuchin group officially formed on September 3, 1969, a limited partnership known as Oak Pond Associates for the purpose of purchasing the Saw Mill-Tanners Brook acreage.

As previously noted in the summary, the closing was held September 4, 1969 in the offices of the Chelsea Title Company. September 4, 1969 also happened to be the day that Stockton College officials ordered active evaluation of the Saw Mill-Tanners Brook tract as a possible site for the college campus.

Mr. Kirkman was asked about that coincidence of dates and testified:

Q. Are you aware of the fact, Mr. Kirkman, that on the same day that your corporation, Saw Mill Ponds, Incorporated, sold the property to Oak Pond Associates, that the property then came under consideration as an active site for the college?

A. I do not know. Did not. Absolutely did not.

Q. Would you think that unusual?

A. Never thought about it. I wouldn't comment. I don't know. I hadn't thought about it. We sold the property.

Are you talking about July or September when the final settlement?

Q. I'm talking about September 4th of 1969.

A. About that time they determined the site. Well, we had already sold the property. I had no interest in it.

Q. Well, if I told you that the records reflected that your corporation sold the property to Oak Pond Associates on September 4th, 1969—

A. Well, we didn't sell on September. We sold on April or May by agreement. We settled in July and finalized it, I think, in September. September.

Q. Well, you agree—

A. But we had sold the property by then.

Q. Would you agree with me there is a distinction between a contract to sell and a sale?

A. Oh, no question about it. No, no, I won't. I talked too fast.

An agreement of sale is a sale. It's consummated by a deed and the consummation of the agreement. But if we entered into an agreement and took, which we did, a cash payment I would consider that a sale of property.

Q. Have you ever known of any contracts to sell or agreements to sell—

A. I have.

Q. —that people have gotten out of?

A. Yes, where they haven't gone through with them, yes. But we sold as far as we were concerned. We intended to go through with our deal. We intended to consummate the agreement.

Q. If someone had offered you X number of hundred thousand dollars more for the property would you have still consummated the deal?

A. Absolutely, absolutely, I for one. I don't know what the others, but I would have. You asked me the question. Absolutely.

As previously noted in the summary section, settlement sheets, prepared at the Chelsea Title Company, Atlantic City, for the September 4, 1969 closing, overstated the agreed-on sales price of the Saw Mill-Tanners Brook land by $33,000. That money, plus $9,000 from Bobbins' actual commission payment of $28,625, was returned to Farber who split the $42,000 total with Stuchin.

Mr. Bobbins testified about the arrangements for returning the money to Farber:

A. I told him I contributed part of my commission to Mr. Farber.

Q. And why did you do that?

A. Because the consideration was now all cash, so they asked me to contribute and I did.

Q. Well, if you had arranged for a sale wherein you were the broker and the total consideration was the same whether it be cash or to be paid in the future, wouldn't you receive your commission in cash at the time of closing?

A. Yes, except one thing. Remember, when I made my deal with Farber there had been no contract. Now, for him to go out and dig up close to $300,000 is a little bit different than picking up maybe 50, 60.

Q. Well, how does that affect you, sir? I'm not quite sure I understand.

A. I wanted to make the sale, so I contributed part of my commission.

There's numerous times, I'd say, in the real estate business where a man, just because a hotel is worth $2,000,000, he doesn't take five per cent. He will take $50,000 and be happy to get it.

Q. Why wouldn't the sheet show the actual commission you received as a fee?

A. Because I did receive this and I contributed it back to him.

Q. Were you asked to give it back to him?

A. Yes, I agreed with him.

Q. He told you he wanted it?

A. He asked me to contribute and I did.

Q. Contribute to what, a fund of his?

A. Because he was paying all cash, which made a difference in the contribution to him, whatever his reasons were.

Q. So you kicked back $9,000 out of your commission fee to him, is that right?

A. Yes.

MR. MULLIGAN: Could you rephrase that word "kicked back"?

MR. BIEDERMAN: Could counsel define that word for the record so the record is clear?

MR. PHELAN: The record means the real estate broker at the request or behest of the purchaser returned $9,000 of his commission fee to that purchaser.

MR. BIEDERMAN: Thank you.

MR. PHELAN: Why don't you mark that.

* * * * *

Q. Okay. When did you first hear about the $33,000?

A. You mean—

Q. When were you first physically told about the $33,000, on the morning of settlement or prior thereto?

A. No, after settlement.

Q. Now, you knew, did you not, that you didn't have commissions coming in excess of $60,000?

A. I had $20,600.

Q. So you knew you didn't have any $33,000 coming?

A. That is right.

Q. And when Mr. Farber told you that he was going to give you a check for $33,000 and ask you to cash it, what did you say to him?

A. I was—I did it because I knew the people in the bank and I got a cashier's check. He didn't give me—he gave me all the checks because if I recall I told you I agreed to give him $9,000 back out of my twenty-nine-thousand-six.

Q. So who handed you the checks for the excess of $60,000?

A. I don't know whether it was Farber or the title officer, whoever he was. I imagine it would have been Farber, because he would have asked me to get the bank check for him.

Q. What did you do then?

A. I went into the bank and I got a check, the cashier's check for $42,000, which I gave to him and I retained the balance.

* * * * *

Q. Now, there is no question, is there, Mr. Bobbins, that in connection with that $42,000, that you were certainly a conduit from Chelsea Title to the cashing of those checks and back to Mr. Farber?

A. That's what they explained to me, that all I was being used for was being a conduit and doing it for them as a favor.

Mr. Kirkman, as president of Chelsea Title, was asked about the false settlement sheets. He testified:

Q. Speaking of settlement sheets, have you observed all three of them?

A. Well, I did and was shocked somewhat. Yes, they were called to my attention.

Q. By agents of this Commisison?

A. Yes, and shocked me.

Q. Was that the first time that you had been aware of the fact that there was an extra settlement sheet included in this sale?

A. First time I was aware when it was called to my attention in my library, the firm's library. It was called to my attention at that time and it was very disappointing and shocking that this had been done in our title company.

Q. Would you view that as a common practice in the title company?

A. Absolutely not. The only time I ever saw it done and it's just ridiculous that it was done.

Q. Well, since having seen that, Mr. Kirkman, can you tell us what action you have taken as being an officer of Chelsea Title?

A. What action?

Q. If any.

A. In what way do you mean? Nothing could be done. It was done. The officer of the company who did it, the manager of that office admitted he did it, and I don't know what you mean. I don't know what we can do about it. It was done.

Q. Did he give you any explanation as to why he had done it?

A. I—I—I don't think so. Not a satisfactory explanation, no.

Q. Can you tell us what his present position is?

A. What?

Q. Can you tell us what his present position is?

A. His present position, he's not working for us now. He has an office of his own.

Site Search Proceeds

Announcement of the appointment of the Board of Trustees of the college was made on January 13, 1969, and by early February, 1969, the Board had begun to meet regularly. From the start, the Board's emphasis was on getting to the task of picking a site so the college could open its doors by the fall of 1971.

David L. Taylor, a consulting engineer from Moorestown, was elected the first president of the Board. Mr. Taylor, being duly sworn, testified how the board initially narrowed down the possible site selection area:

A. Well, we first considered the site location on an area basis. The Legislation that was set up permitted, or directed I should say, that the college be located in Atlantic, Cumberland or Cape May County. So we had presumably any location within those three counties would be—would have been appropriate.

On a basis of a variety of factors including the location of existing colleges, what-have-you, we decided that we would narrow the choice down to the easterly or southeasterly half of the county, of Atlantic

County, and by that I would mean really from, say, Route 54-206 east to the bay. We did not seriously consider Absecon Island itself, which is, you know, Atlantic City.

We then started to look at a variety of sites within that area of Atlantic County, and initially we most seriously considered what I would call the southern tier of that area, sort of the Black Horse Pike side of the area or we'll say from Atlantic City Expressway to the south, and we considered a variety of sites; had reports by our consultants, what-have-you, with respect to various sites.

As I recall, in the northern tier, we'll say above the Atlantic City Expressway, at that time we considered, I believe, only one site, which was one located on Route 9 on a tract of land just above Seaview Country Club in examining, exploring these sites. And the reason for that, I think, at least in my own mind the reason for looking first at this sort of southern area, more southern area, was the desire to orient a little closer to Vineland, the Vineland-Millville area, Cumberland County.

As we looked at these sites we weren't too well satisfied with any of them and we then broadened our looking and considered other sites.

Mrs. Elizabeth B. Alton, an original trustee of the college, also testified to initial site selection decisions by the Board of Trustees:

Q. How did the board come to the conclusion that the college would be located in the Southeastern Atlantic County area?

A. They—we tried to do that on a population basis. The heavy growth factor in Ocean County, I think, is one of the factors involved in this. The growth is coming down the seashore. Ocean County is generally conceded to be the fastest growing county, I guess, in the eastern part of the country and so that factor coming down from the lower section of Toms River on down was heavily conceded to be more important than the growth factor around Vineland and Mill-

ville. So we took Route 50. We took Route 50 on the map and made that be our dividing line. This is about half Atlantic County running north and south, and we decided we did not wish to look at any of the sites on the western section of Route 50 because those people were adequately served, if anything is adequately served by Glassboro. And we felt that the growth factor was on the eastern side of Route 50, and so we took that as the dividing line north and south and we will look at sites anywhere in this eastern section, southeastern section. They excluded Brigantine; they excluded Absecon Island. I think they were the two that I recall.

With southeastern Atlantic County pinpointed by May, 1969 as the general area for the college, the Board moved toward study of more specific site considerations.

As previously noted in the summary, the Trenton firm of Alvin E. Gershen Associates was chosen to do the site selection evaluation studies on a sub-contracting basis made through the state-assigned architects for the college project—Kramer, Hirsch and Carchidi, Trenton.

The Gershen firm's first report dated June 23, 1969 mentioned possible campus sites in Atlantic County but made no reference to the Saw Mill-Tanners Brook (3A) tract. Mr. William A. Queale of the Gershen firm told of an August 1, 1969 memorandum from James R. Judy delineating three priority search areas in Atlantic County, with the number 1 being assigned to an area between Route 9 and the Garden State Parkway.

Mr. Judy was then a member of the staff of the State Chancellor of Higher Education and had been assigned to do liaison work with the new college, as had Dr. Richard E. Bjork, then Vice Chancellor of Higher Education.

Mr. Queale, being duly sworn, testified:

Q. Mr. Queale, I show you Commission Exhibit 1 and ask you whether or not you recognize that as a copy of the map which was included with Mr. Judy's report of August 1st.

A. Yes, it is.

Q. Now, would you describe for Commissioner Diana where Area 1 was?

A. West of Route 9, east of the Garden State Parkway, north of County Route 561 and south of, it looks like it's identified as a spur of County 561, Mill Spur Road or Mill Road.

COMMISSIONER DIANA: Thank you.

Q. Now, directly west of the Parkway, that point where Area Number 1 is designated, do you see another parcel of land which is basically bordered on three sections forming a rough triangle?

A. Yes.

Q. At the time of your consideration on the 28th was any discussion given to that area of ground as a priority for sites?

A. Not as a specific site.

* * * * *

COMMISSIONER DIANA: And this was not one of the areas?

THE WITNESS: This was not one of those areas.

The Board of Trustees of the college next met Aug. 6, 1969 at Buena. After that meeting, Mr. Judy prepared another memorandum, dated Aug. 18, 1969, calling for evaluation of a dozen specific sites. The Gershen firm subsequently undertook evaluation of 13 sites, still not including 3A.

The site evaluation report submitted by the Gershen firm on Aug. 27, 1969 also made no reference at that time to 3A. Mr. Queale testified:

Q. Can you tell us from your recollection or from your file there as to when was the first time that we got down to identifying specific sites?

A. There was a meeting, a memorandum of that, from Mr. Judy to the trustees, dated August the 18th, which indicates a desire to evaluate four sites plus eight additional sites within this broad study area.

Q. Do your records reflect that that was done shortly following that memorandum?

A. On August the 21st and 22nd Mr. Dykstra had nine hours and eleven, respectively, which I have assumed would be the time he went down on these thirteen sites taking photographs and visiting each one.

Q. You said there were four sites and then eight additional?

A. Yes.

Q. That makes twelve. Where did the thirteen come from?

A. This could have been one that we added to it having stumbled on it. I don't have any recollection of where it came from specifically.

* * * * *

Q. I'm showing you Commisison Exhibit C-2, Mr. Queale. Do you recognize that as being a copy of that August 27th report?

A. Yes.

Q. Now, that makes no reference, does it, on the cover page to any Site 3A?

A. That's correct.

Q. That refers to Priority No. 1 as Sites 1, 2 and 3, does it not?

A. Yes.

Q. And those three sites fall within the boundaries of your No. 1 section which was selected on July 28th?

A. Yes.

Q. And the second page of that report reflects thirteen sites circled in red?

A. Yes.

The 3A Site Surge

As previously noted in the summary, the Saw Mill-Tanners Brook tract, eventually to be labeled 3A on site evaluation maps, apparently was first brought to the attention of the president of the Board of Trustees, Mr. Taylor, by G. Raymond Wood, now deceased, but then executive director of the Southern New Jersey Development Council, one of the agencies Mr. Burgess had contacted about possible sale of the acreage.

Testimony given to the Commission indicates that Mr. Taylor learned about the site from Mr. Wood no earlier than late July and more probably in early August. The site was first brought up for discussion at the Board of Trustees meeting August 6, 1969, according to Mr. Judy.

Mr. Taylor could remember only the late summer of 1969 as the approximate time he learned of the possible availability of the site from Mr. Wood. Mr. Taylor testified:

> *Q. Can you tell us how Mr. Wood happened to bring it to your attention?*
>
> A. Well, we asked him if he had any thoughts on the matter was how he brought it to our attention. As I recall, the actual contact with Mr. Wood was initiated by me.
>
> *Q. You had been president of the South Jersey Development?*
>
> A. Yes.
>
> *Q. What is that, anyway?*
>
> A. Well, it's an organization that's set up to promote industrial growth in Southern New Jersey. To a great extent they function to promote the coming of industry to Southern New Jersey and to service people who are looking for sites throughout the Southern New Jersey area. The southern six counties they cover.
>
> *Q. I see.*
>
> A. And Mr. Wood had been in the job for some years and he's of course very familiar with the whole southern end of the state, or was. He since died.

Q. When he came, when he brought this to you, can you tell us what he told you about it in terms of availability, ownership, cost, et cetera?

A. I'm not certain. As I recall, when he first showed it to us he was under the impression that it was owned by a group of people in Atlantic County, and the two names I can remember, Elwood Kirkman and Hobie Hansen as being part owners of the prime piece, the six-hundred-so-acre tract that has the lake and what-have-you, and I know that subsequently that this tract had been—not subsequently to that time when we visited the site, but it had been sold, apparently. Now, whether Mr. Wood was aware of that the day we visited the site or not I'm not sure. Can't be sure.

Q. Who visited the site with you?

A. As I recall, there was Dr. Bjork, myself, Mr. Wood. Those are the people I remember. I think maybe there might have been a couple of others there, but—

* * * * *

Q. When the site was submitted to the board of trustees, who was responsible for its presentation and proposing of it?

A. I don't know. I guess more than—probably more than anybody else I was, because I had made the contact with Mr. Wood and he had made the suggestion to me.

As previously noted, a Gershen Associates report, dated Aug. 27, 1969 was submitted to the Board of Trustees. That report evaluated 13 sites but at that time made no mention of 3A.

On Sept. 1, 1969, Dr. Bjork assumed his responsibilities as president of Stockton College. On Sept. 4, 1969, after the intervening Labor Day weekend, Dr. Bjork phoned the Gershen firm to instruct an immediate evaluation of the 3A site. Mr. Queale testified as to that instruction:

Q. Now, after you had prepared that Aug. 27 report did you receive a call from Dr. Bjork of the college asking you to do some additional work?

A. We received a call on September the 4th.

Q. And can you tell us, do you have a memorandum referring to that telephone call?

A. Yes.

Q. And can you tell us what the nature of that conversation was?

A. There are three different references on this memorandum. The first is reference to Site Number 3. Then in a dash opposite that, "Other side of Parkway." I believe, as I recall, he was trying to orient me, did I understand the area in which he was speaking. There is reference to a 600 plus parcel that has a lake and several structures.

* * * * *

Q. Did I understand you, Bill, to say that until September 4th, 1969, no one directed your attention to this Site 3A?

A. Yes.

* * * * *

Q. In doing work on Site 3, which is approximately across the Parkway from Site 3A, do you have any recollection of, prior to September 4th, '69, anybody on your staff or anybody on the college staff mentioning this as an area to look into?

A. No, sir. Our original selection of Site 1, and partially Site 2 and 3 but primarily Site 1, which we refer to as the Seaview area because of its proximity to the Seaview Club, was its relationship, also, to Route 9. We were concerned primarily with Garden State Parkway-Atlantic City Expressway accessibility from the Metropolitan and broader South Jersey area, but that in this specific area of Site 1 Route 9 was also a convenient highway access from the Atlantic City-Metropolitan area, and Site 2 a little

less convenient, Site 3 less convenient yet as far as Route 9 was concerned.

Dr. Bjork, being duly sworn, testified as to his Sept. 4, 1969 call to the Gershen firm:

Q. Doctor, there is a copy of a memorandum which was secured from Mr. Queale's file referring to a telephone conversation with yourself to him on September 4th. Perhaps that might refresh your recollection as to that discussion.

A. (By Dr. Bjork) And which, the one on the top here?

Q. The top one.

A. (By Dr. Bjork) This is a call from me to ask what, that he look at this?

Q. "Site 3, other side of the Parkway."

A. (By Dr. Bjork) Right.

Q. "600 plus parcel, lake and several structures"?

A. (By Dr. Bjork) Right.

Q. Does that refresh your recollection as to that telephone conversation?

A. (By Dr. Bjork) No. It has—doesn't, you know. If it's supposed to stimulate thinking about the sale of the property, I know nothing about, you know, the relationship between this and—

Q. No, no. Does it stimulate your recollection as to that telephone conversation between yourself and Queale.

A. (By Dr. Bjork) Well, oh, I'm sure I called him. I'm not denying, you know, in any way, but I'm sure I would have called on the information and instructions of Mr. Taylor.

Q. Do you have any recollection as to whether or not that's the first time that that Site 3A, which is not even up to that point designated 3A, that the first time that site is called to the attention of Gershen Associates?

A. (By Dr. Bjork) I don't know. Jim might know better. I can't.

A. (By Mr. Judy) I don't know. It's my recollection that—

A. (By Dr. Bjork) It was earlier.

A. (By Mr. Judy)—they were asked to do a study of it earlier.

Q. Well, assuming that Mr. Queale's records are correct, can you give us any explanation whatsoever as to why that particular property was not called to their attention between the early part of August and the early part of September?

A. (By Dr. Bjork) I have no explanation for it. I don't know whether it was or not. If it was not, I have no specific explanation for it.

Dr. Bjork was asked about his phone call coinciding with the Sept. 4, 1969 closing of the sale of the Saw Mill-Tanners Brook tract to the Farber-Stuchin group. He testified:

Q. Had you ever been aware, Doctor, that the property, at least five hundred ninety-five acres of the property upon which the college is presently situated, was sold on September 4th, the same day that you called Queale and asked him to do a site selection?

A. (By Dr. Bjork) I was not aware of the date when it was sold until you just mentioned it, no. I knew the property had been sold at some point, I think, as we indicated when members of this Commission staff visited us. Our understanding, or mine, at least, at that time was that the deal had been struck for sale of the property, you know, in the spring, prior spring.

* * * * *

A. (By Dr. Bjork) No, the sale. It's the sale I'm talking about.

Q. I see.

A. (By Dr. Bjork) I don't know when the sale occurred and neither did they. In fact,—

Q. When did you learn that the property had been sold for $286,000, once again approximately?

A. (By Dr. Bjork) Well, I learned that at the time the Division of Purchase and Property began the acquisition procedures.

Q. How did you learn that?

A. (By Dr. Bjork) Well, we received reports from Mr. O'Brien, who was conducting negotiations for the Division of Purchase and Property, from time to time about what various pieces of property had been sold for or were valued at to the extent those records were available, and I would say, I do not know the date of that, but they generally kept us informed about the progress of their acquisition. They did not have to have our, you know, approval on anything.

(The Commission notes that in an interview with SCI staff members, Dr. Bjork stated categorically that it was pure coincidence that the September 4, 1969 phone call occurred on the same day as the land sale and that he had no knowledge of that sale until after the decision by the college's Board of Trustees to purchase the land in question.)

After the instruction from Dr. Bjork, the Gershen firm immediately undertook evaluation of the 3A site and moved to amend the August 27 site evaluation report to include 3A. Mr. Queale testified:

Q. Now, Mr. Queale, in the report you referred to earlier as a supplementary report, dated August 27th, that on the cover page includes a reference to first priorities as to 1, 2, 3 or 3A?

A. Yes.

Q. Can you tell us whose determination that was?

A. The final determination of submitting this would have been mine.

Q. And your map does include a section which is designated 3A and enclosed in red?

A. Yes.

Q. Who decided on the term "3A"?

A. I would imagine I did.

Q. Now, can you tell us when your report was prepared as opposed to the one which I have just shown you?

A. The time efforts indicate that on September the 9th Mr. Dykstra had three hours and on the 10th eleven hours and we had a meeting scheduled with the trustees for September the 15th. I have made a note, presuming that the time Mr. Dykstra spent on September the 10th on research was presumably on Site 3A in order to include data on the acreage, the parcel sizes, utilities and so forth as we had done for the original thirteen sites, and that the printing or reprinting of the August 27th, '69 memorandum was apparently done between the 11th of September and the 15th of September when that first meeting with the trustees was scheduled at the Atlantic County College and we retained the August 27th date.

Q. I see. On the report?

A. Yes.

Q. In connection with that Site 3A, prior to the telephone call of September 4th had you had any discussion with anyone with reference to that site?

A. No.

Site Selected

The 3A site became unofficially the favored site of the college's Board of Trustees at their September 8, 1969 meeting. On that day, the trustees took a helicopter flight over potential sites, including the 3A tract. Dr. Bjork and Mr. Judy testified about the meeting of the Board that day:

Q. Can you tell us from your minutes or from your recollection who was at that meeting on September 8th?

A. (By Mr. Judy) Now, the Board minutes would show that the members present at that meeting, Board members, were David Taylor, Mrs. Alton, Mr.

Berry, Mr. Howard, Mr. Koeneke, Mrs. Leutner and Mr. Reynolds, two Board members were not present from the college staff, Dr. Bjork and I.

Q. Does it reflect any outsiders who were present at that meeting?

A. (By Dr. Bjork) It does not.

Q. What does the minutes reflect with regard to the discussion of Site 3A?

A. (By Mr. Judy) It says—I would simply quote from the minutes. "Mr. Franklin Berry, chairman of the site selection committee, indicated that progress of the selection of a site was continuing. While he declined to add specific information to previous reports, he did indicate that the board was moving forward and would have an announcement to make on a site within the month."

Q. Now, Mr. Judy, would you please give us your recollection as to what the discussions were that are the foundation for that report? We know that there have been helicopter trips arranged that day. We know that the directions were to review this specific site. Can you tell us what the discussions were?

A. (By Mr. Judy) At the open board meeting?

Q. No, at that meeting.

A. (By Dr. Bjork) That meeting.

Q. That September 8th meeting.

A. (By Mr. Judy) All right. The discussion, as best I recall it, was in respect to the attributes of Site 3A as opposed to the other two which the site committee had already narrowed down to, 3 and 13.

A. (By Dr. Bjork) 3 and 11.

A. (By Mr. Judy) The decision was made tentatively to recommend Site 3A, and at that point the board decided to move to an open meeting on the 15th.

Q. At that point you hadn't even had the study of Gershen Associates, had you?

A. (By Mr. Judy) I don't know whether the formal study of Gershen Associates was there. I do believe

that a rough copy of that report was available for the board. It was not printed. There was a time lag between the time the board received written reports from Gershen Associates and the time the board received the actual printed materials from them.

A. (By Dr. Bjork) Very substantial time lags, and I would suspect that's one of the reasons that this particular date reflects that.

A. (By Mr. Judy) That report on 3A was, in fact, ready for the following week.

Q. Who presented for the board's consideration the site which is now designated as 3A at that September 8th meeting?

A. (By Mr. Judy) I can only presume, you know, in the absence of any specific minutes that it would have been Mr. Berry. It would have either been him or Mr. Taylor.

A. (By Dr. Bjork) Mr. Taylor.

* * * * *

Q. Well, what I'm saying is, in your discussions you are now reaching a very important decision in terms of the development of this college, so I'm sure that there was a substantial, you know, discussion about it. What I'm saying is: From what you recollect, could you tell us who discussed what, who expressed knowledge of the area, who indicated that this would be a good place for the college?

A. (By Dr. Bjork) Well, on the basis of my recollection, the most forceful, effective spokesman on that question, and nearly all questions before the board, would be Mr. Taylor. But that's I think, the nature of the individual. He's a very strong individual and had taken a leading role in all matters, whether it was the selection of the president or any other matter coming, you know, before the board of trustees. So in all of the discussions about site Mr. Taylor was a very active participant.

Q. A very competent man?

A. (By Dr. Bjork) A very competent man. An engineer by profession, one familiar, of course, primarily with civil engineering and highway construction, soils and this sort of thing, and I think his general authority as a person with that background was very substantial.

With the amended site evaluation report in hand, the trustees voted officially at their September 15, 1969 meeting to choose the 3A tract as the core site for the college campus. Mrs. Alton testified:

Q. Was it prior to the submission of the report that you have just referred to on that August 27th?

A. Not prior to this, no. Let me see if I'm right. I don't want to say the wrong thing because I'm trying to keep it straight.

The vote on the Galloway Township site was on September the 15th, 1969, and it was a 9-to-nothing vote and a public hearing was authorized at that meeting for the 1st of October. Even though by law we were not required to have a public hearing, we decided we would have a public hearing on that site. A public hearing was held on the 1st of October and at that time all the people who wanted to complain about the site came and did so.

Dr. Bjork and Mr. Judy also testified about the official decision to purchase the 3A site:

Q. Was it the function of the site selection committee to bring in recommendations only to the full board?

A. (By Dr. Bjork) Yes.

A. (By Mr. Judy) That's correct.

Q. And I gather they came in with three or four or five recommendations?

A. (By Mr. Judy) They had, as I indicated before, narrowed it down to actually three sites of the fourteen that were under consideration at the end.

Q. And was the deliberation by the board unanimous, 9-0, for approval of 3A?

A. (By Mr. Judy) Yes, sir.

A. (By Dr. Bjork) I think it's fair to describe it as enthusiastic, you know. Despite the other problems that had emerged from it, I think we certainly would say that as a functional site and a place to build and aesthetically and transport, you know, it's excellent. So at least to go back to the beginning, I guess, do we think it's a great place? Yes, it is. Really ideal for the development of the campus and has gotten a great deal of attention.

MR. PHELAN: We're only trying to figure out, Doctor, why the delay.

DR. BJORK: Yes.

Q. I think you can appreciate the staff's attention and the Commission. If this was the perfect site, why was it so late a stage?

A. (By Dr. Bjork) Reasonable consideration. I don't know how helpful we have been, and if we haven't been as helpful as you hoped it's well, maybe that we don't keep the kinds of records that would be more helpful and you have to rely on memories.

I think, also, it's fair to say that the board of trustees was very new to its job. None of them had functioned in this way before. A small group, informal.

Mrs. Alton took particular issue to inferences made by some at the time of the site selection that political influences had figured in that selection:

Q. Did you yourself have any discussions with anyone—

A. No, I did not.

Q. —concerning the selection of this site?

A. I did not. I was embarrassed at the objections expressed by the Committee of Fifty in Vineland. I was embarrassed two ways. I was embarrassed that they would consider, as they apparently said not in the meeting but outside, that this was a political decision,

and I am satisfied in my mind that it was not a political decision. And they claim to this day that Senator Farley selected the site, outside the hearing room, and that, in my personal knowledge, is totally and entirely incorrect.

I would remind you, if you are thinking along that line, I would remind you, and I'm not a friend of Senator Farley in that respect, but we were sworn in, we were appointed on the 13th of January and Senator Farley introduced a bill in the Legislature, in the Senate,—it was S-500—to have the college located in Atlantic County. We had not been sworn in before he did this. So, therefore, if he felt that he could influence the board of trustees in where to locate the college, he would not have had it necessary to introduce a bill in the Senate to say where it was going to be.

Senator Farley knew he could not control me. He knew he could not control the editor of the Press, because he's voiced his disapproval of both of us and our appointment rather strongly. So I will point out to you that he did this because he knew this couldn't be done.

* * * * *

A. We met several times, and it was through our meeting with them that we finally got Chancellor Dungan to come to Atlantic County, and we gave a dinner in his honor which four hundred people spent $7.50 a person at Haddon Hall to come and list their title and name and tell him we wanted a college.

* * * * *

On the week before Senator Farley—I gave you the clipping from that—the week before, to take the impetus away from me Senator Farley had the Chancellor come down the week before and he took him around to Buena, Fulsom, Hamilton Township, all these other places. Now, I can't say there was any connection between these things or not, but in my mind I wonder many times, and as we are looking at this location

and saying that was a political deal, in my personal feeling I think you've got the wrong location for the political deal because I'm satisfied in my mind that this was an honest opinion of the board, an honest decision, and so—I lost where I was going, but, anyway,——

Q. I think I see your point.

The Appraisals

Once the decision was made to make the 3A site tract the priority purchase for the new college campus, the Board of Trustees, through the State Higher Education Department, requested the State Purchase and Property Division to purchase the land.

Charles F. Sullivan, then Director of that Division but who left that office Feb. 13, 1970, was duly sworn and testified as to the initial handling of that request, including his method of selecting appraisers:

Q. Mr. Sullivan, the departments, then, decided upon the site upon which any particular institution would be built?

A. Well, they carried great weight in this respect. Oftentimes if it was an addition to land already acquired, it would probably be the only piece of ground that you could get for the purpose intended. As in the case of the Stockton State College, the Department of Higher Education, and in particular, the board of the South Jersey institution were paramount in the selection of that site. It was our job to determine that it was a good site for the purpose from the standpoint of engineering and building problems that might ensue.

Q. Did you do that in this instance?

A. Yes, we did.

Q. How was that done?

A. Well, it was done by representatives from the Bureau of Construction in the Division of Purchase and Property and, also, through the assignment of an

architect at a later date who assisted in this determination, and such other engineering and consulting people that we may have thought necessary to give us the information we required.

Q. And once the site was selected, then you were responsible for the appointment of appraisers, were you not?

A. That's right.

Q. Can you tell us how they were selected?

A. Well, they were usually selected from a list of qualified people that were capable of handling a particular assignment; for an assignment that was as large as in this particular situation, qualified real estate men, M.A.I.s or S.R.A.s as the case may be.

Q. You said they were selected from a list. Is that a list maintained by the Division of Purchase and Property?

A. Yes, we had a list of appraisers.

Q. How do individuals go about getting on that list?

A. Well, there are generally lists of these people available from the various associations and also from realtors that we'd used in other acquisitions.

Q. Well, as I say, if an individual wanted to get on the list, how did he go about doing that?

A. All he had to do was write a letter to me and he would be put on the list.

Q. Just write a letter to the Division and he would automatically be put on the list. Were there any checks made to determine his qualifications or capabilities?

A. Yes, there were.

Q. Would you tell us what those were?

A. We would, of course, obtain from him in relation to a particular assignment the extent and nature to which he had been engaged in appraisals, either large or small as the case may be.

Q. Now, was there any sort of a rotation factor involved, Mr. Sullivan, or did you just pick them off the list? Just what process was used?

A. Well, sometimes we would pick them in a particular locality of the State in order to facilitate the work, and at the same time we might also pick one from a completely distant part of the State to offset the fact that we might have somebody, two people so close to the forest you couldn't see the trees.

The two appraisal firms picked by Mr. Sullivan are Atlantic Appraisers, South Orange, and Interstate Appraisal Co., Cherry Hill. Mr. Sullivan testified further:

Q. You know William Procacci, I take it?

A. Well, I believe I do. The name rings a bell.

Q. He was vice-president of Interstate Appraisal Services from—

A. Right, right.

Q. Do you recall now knowing that individual?

A. I recall meeting him once.

Q. Now, the two appraisers that have been selected here were the Interstate Appraisal Service from Camden and, also, Atlantic Appraisals, Mr. Samuel Schefrin?

A. Right.

Q. Of South Orange?

A. Right.

Q. Can you tell us how long you had known Mr. Schefrin, if at all.

A. Well, Mr. Schefrin had been engaged in a number of real estate transactions for a number of years, five years or more.

Q. Do you check with any other State, or did you—strike it.

Did you check with any other State agency in connection with the assignment of these individuals to do the appraisals?

A. No, sir, I did not. I check with the New Jersey Highway Department to be sure my fees for the services rendered were in line.

Q. Did you check with the New Jersey—when you say the "New Jersey State Highway," you mean the Department of Transportation?

A. That's right.

Q. Did you check with them relative to the qualifications of the two appraisers?

A. No, sir.

* * * * *

Q. Can you tell us why these two appraisers were selected? I mean, is it just a random selection or just what was it?

A. No. I think what I was looking for in this particular situation was a firm in the area qualified to take on this assignment and complete it at an early date and, also, someone from another part of the State to come in to appraise it to give me a balance in the information that I would receive.

* * * * *

Q. Aside from their qualifications and capability, was there any other motivating factors in terms of selection?

A. No, sir.

Q. Of course the very obvious, Mr. Sullivan, were there any political motivations involved?

A. No, sir.

Q. Did you have any knowledge of any political activities on the part of either one of these appraisers?

A. No, sir.

On October 28, 1969, Mr. Sullivan by letter authorized appraisals of the 3A site by the Atlantic and Interstate firms. Atlantic submitted its appraisal of $485,788 January 19, 1970 and Interstate submitted its $541,500 appraisal February 4, 1970.

The Atlantic Appraisal

As previously noted in the summary, Mr. Samuel Schefrin, proprietor of Atlantic Appraisers, made initial moves toward his appraisal in November, 1969. One of his first steps was to contact Mrs. Dorothy Montag who is administrative assistant to the Secretary of the Atlantic County Board of Taxation. Mr. Schefrin hired Mrs. Montag to do some research and typing for the appraisal. Mr. Schefrin, with Paul G. Levy appearing as his counsel, testified:

Q. Now, realizing this map, Mr. Schefrin, which is identified as Commission Exhibit C-2, can you tell us what Mrs. Montag was to do relative to the spread of parcels on that map?

A. You mean as far as the work is concerned?

Q. Yes, sir, as far as what she was supposed to do.

A. She was, I remember, to head up the title and insert the sales considered, which I had selected, and put as much of a description of the property in and—

Q. Was she responsible for securing the information on location?

A. You mean—

Q. In connection with your report that you have in front of you.

A. Yes, she would get the ownership in from the list of owners there and she would also put in the—this heading which says, "Lot 3" and "Block 906."

Q. She would put in the title. How about the description of the property; would she also insert that?

A. Yes, she would.

Q. Well, do you have a page in your report which reflects location and neighborhood data?

A. Yes.

Q. Would she also do that?

A. She could have done some of that, yes. I'm not sure.

Q. Well, my point is—

A. I'm not sure.

Q. Was it part of her job to do that?

A. I don't remember.

Q. How about with regard to neighborhood data; was it part of her job to fill in that section?

A. I don't remember. It could be.

Q. Well, you did tell us it was part of—now, the comparable sales which were considered, she was responsible for securing a number of those?

A. She would select them and I would approve them.

Q. How would she select them?

A. From the abstracts in her office and from the transcript that she had.

Q. And you made available to her, did you not, all of the stationery that she was working with?

A. Yes.

Q. And then she sent you the materials?

A. She sent me the partially completed forms and we completed them at the office.

One result of approaching the appraisal through county taxation board records was that Mr. Schefrin ended up with 20 or more reports on individual tax map parcels ranging from one-half an acre to 178 acres, all contained within the 595-acre tract the state was to eventually purchase from Oak Pond Associates (the Farber-Stuchin group).

This subdivision approach to the 595-acre tract was included in Mr. Schefrin's appraisal report, even though he conceded he at least had heard the 595-acre tract was included in toto in the September 4, 1969 sale at a price in the area of $296,250.

Mr. Schefrin was asked about his approach and methods in making the appraisal. He testified:

Q. Well, in connection with your appraisal responsibility, can you tell us which acceptable apprasail

techniques you utilized in arriving at your appraisal figures?

A. Well, the basic use we have is of comparable and recent sales, and also by examination of property, by going to the property, examining it. And if we appraise a house, we look at the condition of the house. We look at the kind of structure it is; how it is built. We look at land; if it is cleared land; if it is wetland; if it's pineland, and sometimes half is clear and half is not clear; and whether it's a corner; whether it's a piece in the center of a block. And in this case the zoning was not a factor, we check out the zoning.

Q. If you have a large piece of land owned by one ownership, is it an acceptable practice to break down that tract of land into individual parcels and appraise them individually?

A. If they are taxed individually and assessed individually, we look at each one of the assessments and each one of the descriptions and each one of the conditions.

Q. You mean if one person owns, or one corporation owns a 600-acre tract of land you would consider it acceptable procedure to break down that piece of land down into individual parcels and appraise them separately?

A. No. What I mean, that, too, but what I mean is it could be part of the land is high and dry, a part of the land is low and wet. And depending upon who the appraisal's made for, I have to determine whether or not all the land can be made dry or whether all the land will ever become wet and see how much of it fronts on streets and how much would front on an alley and how much which is landlocked, and all those things become a part of the process of appraising a piece of property.

Q. I see. Now, were those appraisals—just to the explanation you gave, was that same approach discussed in the M.A.I. course at Rutgers when you went through it?

A. What I just related?

Q. Yes, sir.

A. I would say so, yes.

Mrs. Montag testified she had informed Mr. Schefrin of the September 4, 1969 sale at a price in the area of $296,250. Mr. Schefrin acknowledged hearing a rumor to that effect but had not checked that rumor out. He was asked what consideration he had given to that transaction as a comparable sale. He testified:

Q. All right. What do your records reflect, Mr. Schefrin, as to when Oak Pond purchased the property within that tract?

A. My records don't show when Oak Pond Associates purchased the property. It's my belief that the responsibility of the appraiser is not to discover what anybody paid for the property or when they purchased the property. It's my job as an appraiser to appraise the property as of the date of the appraisal that's requested.

Q. Well, now, then, does the theory of comparability work?

A. Comparability would be recent comparable sales.

Q. Would the sale of the same property be considered comparable?

A. It could be considered and it could not be considered.

* * * * *

Q. Mr. Schefrin, you maybe have testified to this before, but if you have, I haven't heard it. Did you consider at all the prior sale from Saw Mill to Oak Pond?

A. No. I said that I should have considered it, but I did not consider it, only as I had heard it.

Q. Well, now, will you tell me why you didn't consider it?

A. Well, because I think it's the duty of an appraiser to appraise independently in every respect. The fact that they had bought the property for x dol-

lars shouldn't affect my appraisal. The fact they had gotten it for nothing, or overpaid or underpaid shouldn't affect my appraisal. It's my duty to appraise a property as I see it as of the date of the appraisal. So if you say I should have considered it, in retrospect—

Q. I'm not saying anything. I'm asking you why you didn't do it.

Did you use a method of comparables?

A. Yes, I did.

Q. And yet you didn't compare this sale?

A. I used other comparables; I used other comparables.

Mr. Schefrin was asked further why he continued with a 20 or more subdivided parcel approach to the 595-acre tract once he had heard it had recently changed hands as a single tract. He testified:

Q. Mr. Schefrin, once you learned that a 600-acre tract of land had been purchased and was now owned by a single entity, had been purchased some two to three months within this period of time, what appraisal procedure do you consider valid whereby you break down that single tract of land into some twenty separate reports?

A. Well, these twenty, as I told you before, these twenty separate reports I had gotten from the records of the tax assessor's office and I didn't break down the other because I had these reports to work with against the 600-acre tract.

Q. Mr. Schefrin, don't the twenty reports you have in front of you all relate to Oak Pond Associates, Limited?

A. Yes, they do.

Q. And aren't they broken down into various plot sizes of anywhere from one acre to a hundred seventy-eight acres?

A. Yes, they are.

Q. Did you then, sir, break down the 600-acre plot of land which was owned by Oak Pond Associates in November of 1969?

A. No, I didn't.

Q. Well, can you tell us what those reports are?

A. You want me to enumerate each one?

Q. No, sir. Just tell us generally what they're intended to reflect.

A. They reflect the ownership of the title of the property of Oak Pond Associates at the time I made the appraisal.

Q. Do they refer to twenty separate parcels of land within that one tract?

A. Yes, twenty parcels.

Q. And does each one of those reports relate to a parcel within the area of Oak Pond Associates' land?

A. Yes, they're Oak Pond Associates' properties.

Q. And does each one of those reports ascribe a different valuation for each parcel?

A. There are some that are duplicated in dollar value if that's your question. I think I have one or two that do reflect the same value.

Q. Now, what did you use for comparable sales in connection with your appraisal on those individual parcels?

A. Well, for the Oak Pond Associates Lot 22 and 23 in Block 511 and in Galloway Township I used sale recorded in Book 243—2453.

Q. May I ask you what the size of the plot, that size was?

A. 18.10 acres.

* * * * *

Q. Now, could you tell us, Mr. Schefrin, just how you took into consideration as a comparable sale under the theory of comparability the sale of Saw Mill to Oak Pond in September of 1969?

A. Well, the first one was about five-hundred and some-odd dollars per acre. The second one was about 800.

Q. That's the lot size of what?

A. That's 4 to 5 acres.

Q. 4 to 5 acres?

A. Yes.

Q. And how did you take into consideration the prior sale of some 600 acres? How does that relate in a comparability theory to the 4 to 5-acre site?

A. If I understand your question, Mr. Phelan, I would say the fact that there is a 600-acre site as compared to a 5-acre site, on a per-acre basis with the exception of a volume purchase would not affect the value on a per-acre basis.

Q. What do you mean "with the exception of a volume purchase"? Don't you consider a 600-acre purchase a volume purchase in relationship to a 4-acre purchase?

A. I said with the exception of a volume purchase. With the exception of that.

Q. Well, how can you set up a 4-acre purchase as a comparable to either a 118 or a 600-acre purchase?

A. If it's the same kind of land and if somebody has a purpose in acquiring large acreage, that is their desire and their wish, I guess. But I would say that, offhand, that if I can answer your question the way you're asking it, that because a man buys 600 acres of land he shouldn't buy it cheaper than a man who buys 5 acres of land if the land is comparable.

Q. Did Rutgers also teach you that?

A. Well, I can't answer exactly that question, but just taught that as to appraising.

Mr. Schefrin's final appraisal report, the matter of the ous sale of the acreage was marked "not pertinent." Mr. in told of a conversation he had on that point with Mr. m R. Schumacher of the Bureau of Special Services, which

had the responsibility for reviewing appraisals submitted to the parent State Division of Purchase and Property. Mr. Schefrin testified:

Q. I read in Page 7 of your one appraisal report here on "Title Delineation: Years," you have "not pertinent"?

A. Right.

Q. Could you explain that?

A. Well, usually they expect you to discover how long the property owner had the property, and I was told by Mr. Schumacher that that was not important in this case. When you make an appraisal, you make it for more than one purpose. You can have twenty-five purposes to make an appraisal, and I'm sure you know that. If I'm assigned to make an appraisal, I have to do as my client requests me to do. So if he said to me, "Ignore the title delineation," we just said it's not pertinent in this case.

Q. But in a normal appraisal report isn't it true that one of the things that you always indicate as an appraiser is the fact of the last sale as to when the owner took title that you are appraising this property? Don't you always indicate that if he bought it in 1925 and you know what he paid for it, you set that up in your report?

A. Not always, no, no. I appraised, as a comparison, as an example, I appraised I think it was sixty parcels for the Green Acres Commission in the Great Swamp in Fairfield, New Jersey, and some of those titles went back three hundred years.

Q. I'm talking about the last transfer. The most recent transfer I thought would always be indicated in an appraiser's report?

A. I won't say it's normal. I won't say that it's always done and I won't say that it's never done. I've done it. Times I haven't done it.

Q. But the only time you wouldn't do it when maybe in this case the State said it was not of any use in doing it or they didn't care about it?

A. I don't think he had that intention.

Q. I didn't ask that question.

A. No, no. I'm an independent appraiser.

Q. When someone asks you for an appraisal, a guy says, "Appraise my property," do you let him tell you what to put in the appraisal?

A. No, I do not.

Q. Apparently you let Mr. Schumacher tell you, who represented the State, not to put certain information in there because he felt it wasn't pertinent?

A. Well, it's not always pertinent in my opinion, either.

Q. All right. But in this case you didn't put it in there because he told you not to put it in there?

A. Well, it could have been that if I wouldn't have asked him, I would have put it in just the same.

Q. You haven't answered my question, Mr. Schefrin. You didn't put that information because he told you not to, isn't that so?

A. No, he didn't tell me not to.

Q. Oh, he didn't?

A. No.

Q. What did he tell you?

A. I asked if it's important and he said it's not, but he didn't say don't put it in.

* * * * *

Mr. Schefrin was asked if he knew about two recent and comparable large-tract land sales, other than the Sept. 4, 1969 sale, in the Galloway area. The two are the October, 1968 Sable Realty to Seaview sale of 385 acres at $222 per acre and the April, 1969 Desiderio to Marrazzo sale of 505 acres at $260 per acre. Mr. Schefrin testified:

Q. How about the Sable Realty-to-Seaview sale; are you familiar at all with that one?

A. I don't recognize the name.

Q. The sale took place in October of 1968, approximately a year before your appraisal, recorded in Book 2448 at Page 85, reflecting a price of $222. per acre. Do you know where that property is located?

A. I don't recognize it, no, sir.

I would like to add, if I may, that after we had completed the appraisals I inquired into acreage that was available and discovered there was a parcel about two and a half miles away that they were asking $600 an acre for, and I wrote a letter just to feel out the ability to buy acres at $600 an acre and for sale and put an offer in, and no response.

Q. I caught the tail end of that. You thought that was a valid means of trying to get value?

A. Oh, no, no.

Q. Certainly not as valid as finding comparable sales of similar property?

A. I had already made my appraisals. They were all in. They were finished.

Q. Is it your testimony that Mrs. Montag did not bring to your attention the Marazzo sale?

A. I don't remember her bringing—if you say verbally, I don't remember her bringing any sales to my attention verbally. I remember saying that out of the records you select the sales that are made and I will then determine which ones to be used.

Q. All right. Let me ask you my question again. Is it your testimony that Mrs. Montag did not bring to your attention, either in writing or by conversation, the sale of Desiderio to Marazzo?

A. My testimony is that she did not, yes.

MR. LEVY: Could I have those book and page references, please, for those last two sales?

COMMISSIONER DIANA: Desiderio, 2445, Page 88.

MR. LEVY: Which? Is that 1969?

COMMISSIONER DIANA: April 24th, 1969. Sable Realty to Seaview is in Book 2448, Page 85. It took place on October 29th, 1968.

That's all I have.

As previously noted, Mr. Schefrin on Feb. 4, 1970 submitted his appraisal of $485,788 * to the State Division of Purchase and Property. However, he was subsequently called to meetings in the offices of the State Purchase and Property Division's Bureau of Special Services to discuss the disparity of his appraisal figure with the $541,500 appraisal figure submitted by the Interstate firm.

Mr. Schefrin told of making an upward adjustment in his appraisal figure by a formula he devised for adding 10 per cent for "assemblage," another 10 per cent for "time," and $25,000 for "interest." He testified:

Q. By the same token, you increased your appraisal after this meeting with Mr. Schumacher or Mr. O'Brien, or both? You increased by, I think you said, ten per cent you added for assemblage, ten per cent for time and $25,000 interest. Is that correct?

A. Yes. But that was not—that was the basis of my increasing it. The basis of it, you know what I mean, how could I justify that in assembling property it's worth about ten per cent and the time element ten per cent and interest on the money.

Q. Why do you have to do that if you concluded originally that the value of this taking was $412,000? Why do you have to increase it?

A. Well, because—I didn't have to increase it, but I just felt that on the basis of renegotiating it and reconsidering, maybe my appraisal was on the low side, too much on the low side, and there could be—

Q. Were you told that at the meeting?

A. Beg pardon.

Q. Were you told that at the meeting?

A. That my appraisal was on the low side?

*Mr. Schefrin in his testimony made reference to submitting an initial appraisal figure of $412,000 and then after conferences with State Purchase and Property Division personnel, adjusting that figure upward to $517,000. The Commission notes that the $412,000 and $517,000 figures were never recorded in any files kept by the Division. The only appraisal figure for Atlantic Appraisals in the Division's records is $485,788.

Q. That it was too low?

A. No, I don't think so.

Q. Then why did you increase it?

A. Well, because I felt maybe I did make a mistake.

Q. Who told you you made a mistake?

A. I decided myself. Nobody told me.

Q. You decided yourself. How did you reach that conclusion?

A. Because the differential between my appraisal and Interstate was too great and I felt, well, maybe I was too conservative in appraising at the time.

Q. Isn't it your responsibility again to your client, the State of New Jersey?

A. To be conservative?

Q. No. Isn't your responsibility to reach a conclusion and a value based on your experience?

A. Yes.

Q. Isn't that what you are charged to do when you are hired to make an appraisal?

A. Right, and they're entitled to rely upon my appraisal, that's true.

Q. Then you changed it by adding twenty per cent, plus $25,000, and you said you just did that at your own, on your own initiative?

A. Well, I felt that my appraisal could stand a little change and that I was too conservative and that maybe I should revaluate a little bit, yes.

Q. Did anybody suggest this to you?

A. No, nobody did.

Q. What was the value of the other appraisal?

A. I don't know.

Q. Then how did you know you were too low?

A. Well, they called us in and asked us to talk it over and see if we didn't vary a little bit.

Mr. Schefrin was told by Mr. Sullivan to look up a Mr. John Siracusa, Sr., a real estate man in Atlantic City, to get help from a man knowledgeable of the Atlantic County area in making the appraisal. Mr. Sullivan testified:

> *Q. Why did you tell Mr. Schefrin to look up Mr. Siracusa in Atlantic City?*
>
> A. Because Mr. Siracusa was familiar with that area and, I felt, could be helpful to him as a stranger from the northern part of the State to get himself oriented and to get information that would be helpful to him in making his appraisal.
>
> *Q. Did you have no appraisers on your list from the Atlantic County or Cumberland County area that could do this job?*
>
> A. Well, I don't recall whether I did or not.
>
> *Q. What I'm getting at is: Was there any specific decision made not to secure somebody from the three-county area that the college was going to be located in?*
>
> A. Not that I recall.

Mr. Schefrin also testified about being directed by Mr. Sullivan to Mr. Siracusa and the results therefrom:

> *Q. While you're looking for that list, did you engage anybody locally in the Atlantic County area, other than Mrs. Montag, to assist you with this project?*
>
> A. When I received this assignment Mr. Sullivan said that he suggested I get in touch with Mr. John Siracusa in Atlantic City, and he said that he may be able to help me in the appraising, and I told him I would do it and I subsequently not too far off, not too much later, got hold of Mr. Siracusa and went down to see him. And we talked about the assignment I had gotten, and I said if he could help me, why, I'd be happy to work it out with him some way. And we agreed upon the fact that I should pay him twenty-five per cent of my fee, total fee, after all expenses. He then said that he's leaving for Bermuda to visit his daughter and that he can't help me until he comes back after Thanksgiving but he could loan me one of

his girls, and I couldn't see how I could be running to Atlantic City after spending a day in Galloway Township and so I said, "No, I won't have any use for the girl."

When he came back from Bermuda he called me once or twice and he then said he's going to Florida, and I said, "Well, you go ahead to Florida and I'll go about the business and so on."

But in my first visit I wasn't really convinced that he could really help me. He didn't seem to know too much about the site or anything which he should have known, because it's Atlantic County, it's his bailiwick.

And when he called me maybe two or three times and he was able to discover every time I got a check from the State and how much I received. And I just didn't like that attitude, because if he was interested in how much I received and he asked me, I would tell him. And he would call me and say he just found out that I received a check for X number of dollars.

Well, anyhow, he just didn't help me, couldn't help me, and then he started pressing me to pay him the twenty-five per cent of the fee.

Now, we were in the lawyer's office about two months ago for depositions and I just told him that I wouldn't pay him anything because he never did anything. He then started a suit against me for fifty per cent of the fee, which is now—which we are now in suit.

Q. Well, who is John Siracusa?

A. When I first went to see him, I don't know. I never met him before.

Q. Is he a realtor?

A. He's a realtor and insurer. When I came in, he said, "I want you to meet my son, who is Mr. Farley's right-hand man." Of course it didn't impress me. He brought him in and I met *him*. Of course, in the back of my mind I thought he was some influential politician there.

Q. But he didn't do any work for you there?

A. Not a bit.

Q. The only one who helped you was the young lady down there?

A. Yes.

I suggest that the depositions are available. I'm sure you can get them.

EXAMINATION BY COMMISSIONER BERTINI:

Q. Can you tell us where the action is pending? Superior Court?

A. Atlantic County. I think I gave Mr. Cayson a copy of the complaint and everything else.

Q. Did you ever ask Mr. Sullivan why he wanted you to use Mr. Siracusa?

A. No, no. He said it in passing. I don't think there was any motive there. At least I had no reason to assume there was a motive there, because he originally selected me. He originally selected me because I was from a different part of the state.

COMMISSIONER BERTINI: That's all.

THE INTERSTATE APPRAISAL

The Interstate Appraisal Co., as previously noted, submitted a $541,000 appraisal figure on February 4, 1970. That appraisal report used three large tracts of land in the market value analysis that led to that appraisal figure. In two of the three instances, the tracts had been offered for sale but the sales had not been consummated, so that listing or asking prices rather than actual sales were being used in the market value analysis.

The Interstate appraisal identifies the two tracts as the J and M Land Co. tract in Mays Landing, listed for sale at $1,000 an acre in May, 1969, and the John Rohrer tract in Port Republic, listed for sale in January, 1970 at $600 an acre.

The third large-tract comparable used in the Interstate Appraisal is a June, 1967 sale at $435 an acre to the DuPont Company

for use in connection with a plant facility in Pittsgrove Township, Salem County, some 30 miles from Galloway Township in Atlantic County.

The Interstate market value analysis also did not make use of the September 4, 1969 sale of the acreage from Saw Mill-Tanners Brook to Oak Pond Associates. The dismissal of that sale as a comparable was apparently based on the contention that it was not a typical arms-length transaction.

The Interstate appraisal was initiated by Robert James who has since left that firm. The final appraisal was developed by Robert Sapio of that firm and was signed by William Procacci as chief appraiser for Interstate.

Mr. James was asked about the use of listing or asking prices to reach an appraisal figure. Being duly sworn, he testified:

> *Q. I see. Now, are you familiar in terms of appraising with asking price as an acceptable appraising technique.*
>
> A. Yes.
>
> *Q. How does that work?*
>
> A. I think in order to understand what property values are you must not only take into consideration those properties that have sold but current offerings in the market and/or refusals, because they set upper and lower limits.
>
> If you have a property that's on the market and you know what is being asked for it, that would tend to set the upper limit. If you have a refusal of an offer, you know that the owner is not willing to accept that. You don't have a bona fide, willing buyer-willing seller concept. But in order to be aware of the active market I think that it's imperative that you seek out all that information.
>
> *Q. Is it standard procedure to take that as a comparable sale so far as an asking market price is concerned?*
>
> A. An imminent M.A.I. in Philadelphia, who I hold in great esteem, says yes. He was an instructor of mine and I tend to believe him.

Q. As a comparable value for a tract of land?

A. Yes.

Q. The asking price?

A. Yes.

Q. In other words, if an individual were asking $1,000 an acre for a piece of property it would be an acceptable practice to utilize that as a comparable value for the purchase of a piece of land?

A. I wouldn't go as far as to say that. I would just say that you must be aware of it and you must consider it; not that it be controlling but that it be considered.

Q. But how do you consider it in terms of estimating or appraising the value?

A. Number one, you have to look at the potential value or potential use of your subject property, what it could be used for, and then look at the alternate uses of all the properties that are on the market in competition with the piece of property that you have to appraise.

(In an interview with SCI staff members, Mr. Sapio contended he had to use asking prices in his market analysis data because of a lack of comparable land sales in the Galloway area.

When reminded of the two comparable large-tract sales in that area—the October, 1968 sale to Seaview at $222 per acre and the April, 1969 sale to Marrazzo at $260 per acre—he conceded they could well have been used as comparables but stated that he and his associates had not investigated those two sales and, therefore, did not use them.)

Mr. James told how the impression came about that the September 4, 1969 sale from Saw Mill-Tanners Brook to Oak Pond Associates was not a typical arms-length transaction. He testified about a discussion with Mark Vasser, the attorney representing Oak Pond, and Samuel Bobbins, still acting as broker for Oak Pond:

Q. Had you already done some work on the property?

A. My original assignment, as I said, when I went down there for the first two weeks before anyone

else was to just double check all the property ownerships; get the assessment data; get some comparable sales if I could; investigate them. So, you know, I had done that much, but not anything specifically about it. I had talked with—the name escapes me. It was an attorney in Atlantic City who said he represented the owners.

Q. Mark Vasser?

A. That's it; that's it. And in his office I met with a—

Q. Samuel Bobbins?

A. Right.

Q. Had you discussed with them the sale of that piece of land which had occurred on or about September 4th of 1969?

A. Whatever the recorded date was, I was there for the purpose of verifying the date, the consideration and any other factors that may influence the sale one way or another.

Q. Okay.

A. Whether it be a usable sale, a bona fide sale, that was the purpose of my meeting with him.

Q. How long did that meeting last, approximately?

A. I would say an hour.

Q. Do you recall that they told you that the sale of that land had been in two, one very large tract and one smaller tract for the total of approximately $296,000?

A. I believe that's correct.

* * * * *

Q. Okay. What did Mr. Vasser and/or Mr. Bobbins tell with regard to the nature of that sale so far as its being an arms-length transaction?

A. They felt that the parties that were the grantors, or the sellers, wished to get rid of the property and that they had sold it at somewhat less than they felt the market was.

Q. And how did they tell you that?

A. That the partners, I believe, of the Oak Pond, if that happened to be the seller,—

Q. Strike it, if you would.
Would it refresh your recollection to tell you the Saw Mill was the seller and Oak Pond was the buyer?

A. They were the seller. Thank you very much.

That the partners of that organization were getting up in years and wished to disperse their local holdings, and that was the reason that they didn't care to make a sizable profit, they just wanted to divest themselves of that parcel of real estate.

Q. Well, in that conversation, Mr. James, did they also tell you that the reason they had sold was that they were just interested in getting out and weren't interested in selling at market value?

A. I can't say that he put it in those words. He indicated that he felt that if they had tried a little harder they could have gotten more money for it.

Q. When you say "he," who do you mean by "he"?

A. Vasser.

Q. What did Bobbins say in connection with that sale?

A. I don't think Mr. Bobbins contributed too much to the conversation. He more or less tried to concur with what Vasser said. Vasser seemed to be the representative of the present owners, who led me to believe they were a New York corporation. He showed me plans for a P.U.E. that they had proposed for the site. It seemed logical that such a proposal could be enacted with the access of the Parkway, et cetera.

Q. Did you know that Mr. Bobbins had been the broker on the deal?

A. It may have been inferred, but if it were, I have forgotten it.

* * * * * *

Q. Did you reach any conclusion or did you have any idea as to whether or not that had been an arms-length transaction in connection with that sale?

A. That's difficult to say because I did not use it for comparison to any of the other properties that I appaised, because it was such a different kind of property than any of the ones that I was assigned to. All I did was relate to the rest of the group all the basic information that I had picked up.

Q. What was your purpose in going to see Mr. Vasser again?

A. I believe because he was—there are many ways to try to seek out to corroborate sales. One is by the grantor or the grantee, of which I knew neither because they were corporations. The other is by looking at the title company and calling them to see who the representative was, or by the attorney who drew the deed, and I believe that was the case; that I believe Vasser's name was on the deed and he had a local office in the immediate area, so I called and made an appointment.

Q. Is it safe to say, then, that you sought him out?

A. I am quite sure that I sought him.

Q. Did he call Mr. Bobbins and ask Mr. Bobbins to come to his office or was Mr. Bobbins already there?

A. No, the arrangements were, as far as I know, that Bobbins would be there. He was not and we had to await him.

Q. Did Mr. Bobbins concur in the judgment that these were just a group of old men that owned this property and that they wanted to get rid of it?

A. I can't say that definitely, no. He did concur that of their—I believe he concurred of their ages and of their intent to get out of the real estate business.

Q. Just to get rid of the property?

A. Yes.

Mr. James was asked why the September 4, 1969 sale was dismissed as a comparable in the Interstate appraisal:

Q. Can you explain to us at all why the Saw Mill-to-Oak Pond sale is not reflected in your book whatsoever?

A. Primarily because it was a subject property and it would be in the appraisal itself.

Q. Well, wouldn't a recent sale of a subject property certainly have to be considered as a comparable sale?

A. I would assume that you are correct in that assumption, yes.

Q. I mean, if someone was purchasing a piece of property three months before you were looking at it, at least a consideration of the value of that land would be considered?

A. Yes.

Q. Do you have any explanation for us, or can you give us any explanation as to why that sale, the exact sale of the exact piece of property, is not reflected in your appraisal report?

A. I cannot.

(In the interview with SCI staff members, Mr. Sapio stated that he came to the conclusion that the September 4, 1969 sale was not a typical arms-length transaction after talking on the phone with Mr. Burgess of Saw Mill-Tanners Brook, Mr. Stuchin of Oak Pond, and Mr. Bobbins. He concluded from those conversations that the Saw Mill-Tanners Brook owners were advanced in age and had abandoned any idea of developing the acreage. Mr. Sapio quoted Mr. Stuchin as saying that Oak Pond was going to request $2,000 to $2,500 per acre for the same land for which $476 per acre had been paid less than six months earlier.)

Mr. Sullivan was asked about what procedures the Purchase and Property Division had, at the time the two appraisals were received, for reviewing and analyzing appraisals:

Q. Well, who was responsible under Mr. Schumacher or in that department for the review of these appraisal reports?

A. Well, Mr. Schumacher himself, and he also had an assistant, I believe, Mr. D'Cioto.

Q. Was he an M.A.I. or a S.R.A.?

A. No.

Q. Do you think it would be advisable to have somebody who is experienced in appraisal work or is qualified as an appraiser to review these reports to determine whether or not they're satisfactory?

A. Only if I had reason to question them. Mr. Schumacher, after all, has had some better, I believe, than thirty years experience in the Bureau of Special Services where one of his primary responsibilities was the purchase of all kinds of land for all the departments of the State Government and he functioned very well in this respect during my sixteen years there.

* * * * *

Q. Mr. Sullivan, I think you indicated before that Mr. Schumacher's review of the appraisals after they were submitted consisted of such things as if there's a variance between the two appraisers that you had obtained, their reports, a wide divergence in value, that you would inquire into that and try to determine what was the basis for that. Do you know what other aspects of the appraisal he would review?

A. Well, I think that in his review, if he were of the opinion that they had not been properly developed, that he would call it to my attention.

Q. Well, can you give me any further detail of what you mean by "not properly developed?"

A. Well, there are almost standard types of information that have to be part of most appraisals in determining what fair market value is, and these are usually developed by all competent appraisers.

Q. There are certain aspects, in other words, of the study that should appear in every appraisal report?

A. That's right.

Q. If it's a scholarly job.. And if he finds or found something missing, he would then bring this to your attention?

A. That's right.

Q. Is there any way of checking on whether or not all available sales on comparables were used?

A. Well, I suppose there are.

Q. Was that done at any time in the review procedure? In the review procedure was there any method of determining whether or not all available comparables were examined by the appraisers, or did you just have to rely on those comparables as they submitted?

A. If I feel there are sufficient comparables to cover the situation I would accept what he had in the appraisal if they're fairly recent sales involved of similar type properties.

No Condemnation

As previously noted in the summary, Dr. Bjork and Mr. Judy received advice from some source in the Division of Purchase and Property that resort to condemnation would necessarily mean inordinate delay in the start of construction of the college. The Commission's legal staff prepared an opinion (Appendix C) that indicates that the college could, under existing eminent domain laws at that time, have taken possession of the land prior to payment for it.

Dr. Bjork and Mr. Judy were asked about what considerations were given to condemnation of the land. They testified:

Q. Doctor, are you saying that the law of eminent domain and the right of the State to condemn properties did not exist in the summer?

A. (By Dr. Bjork) The present law. There was a law. The present law is one which adds to the Department of Transportation's right to acquire immediately colleges' and universities' right to do likewise. Prior to that time, and this law was prompted by Ramapo's difficulty in acquiring their site, a law was introduced, I believe in the fall of '70, at which time you could then move in as the Department of Transportation and get immediate use of the property. Prior to that time it was a very lengthy process of

about a year to acquire through condemnation for college or universities property.

Q. Who told you that, Doctor?

A. (By Dr. Bjork) Who told us this? The Attorney General's office and the Division of Purchase and Property.

Q. Who in the Attorney General's office told you that?

A. (By Dr. Bjork) I don't know.

Q. Can you tell us when you were advised of that?

A. (By Dr. Bjork) Well, we were advised of this several times by the Division of Purchase and Property primarily as we urged them to move a little faster on the acquisition of the site as it was finally selected, because we did have problems emerging that would—you know, a piece of property would fall along the roadway or something that we needed access to continue the construction. And this began to pose a problem for us as it did for Ramapo, and the Governor's office introduced legislation on behalf of the two colleges, actually written a little more broadly than that but benefiting them, which then became the means to acquire property through condemnation proceedings more rapidly.

* * * * *

Q. Is it my understanding that you were advised by someone in the Division of Purchase and Property that the State could not condemn and take that land and which would not affect your opening at all?

A. (By Dr. Bjork) To condemn and take the land as we understood it from the Division of Purchase and Property would be a process so long that we would have had to face the delay of our construction start as scheduled for the fall of 1970, and since we were on a very tight schedule that delay could produce very easily, was our argument, a delay in a full year of opening even if the buildings were ready earlier, given the nature of the college calendar, and to delay

it that long would have been, in our judgment, enormously expensive in money as well as, you know, keeping a thousand people out of school and then the sort of decline in effectiveness of the staff that was planning the institution.

Q. Dr. Bjork, let me ask you this: Did you consider that a sale of $286,000 and a resale of approximately $550,000, did you consider that an excessive sale-resale figure?

A. (By Dr. Bjork) Personally? I consider that high.

* * * * *

Q. Did anyone ever give you a legal opinion or a legal memorandum or anything, you know?

A. (By Dr. Bjork) No.

Q. I'm just wondering where you got the opinion from.

A. (By Dr. Bjork) No.

APPENDIX A

STANDARD APPRAISAL AND APPRAISAL REVIEW PROCEDURES

FOR DIVISION OF PURCHASE AND PROPERTY

SECTION I

Introduction, Qualifications and Pre-qualification of Appraisers and Fee Schedules

INTRODUCTION

The basic foundation for a successful land acquisition or disposition program is the preparation of proper appraisals and a competent appraisal review procedure.

The primary objective of the appraisal function is to meet these requirements and to present the supporting information regarding property purchase expenditures in such a form that it is a useful tool in the acquisition process as well as to specifically present adequate and reasonable support for properties purchased.

To meet these requirements appraisals shall be required which arrive at fair market value which has been broadly defined as follows:

> The highest price estimated in terms of money which a property will bring if exposed for sale in the open market, over a reasonable period of time and assuming that both the buyer and the seller are fully aware of all uses, conditions and restrictions affecting the property and that neither party is acting under compulsion or duress.

Historically, the courts have judged that the constitutional requirements of "just compensation" to make the owner whole has been met with a finding of

"Fair Market Value." The exceptions relate to those instances of truly special purpose property which may be in private or public ownership.

In summary, the broad goal of the appraisal and appraisal review function is to produce well documented market oriented appraisals which lead conclusively to a reasonable and supportable estimate of fair market value.

PURPOSE

The purpose of these procedures is to define and delineate the Division of Purchase and Property's areas of responsibility and the formats by which appraisals shall be acquired and reviewed for purposes of estimating fair market value in support of property purchase expenditures.

RESPONSIBILITY

The Director of Purchase and Property shall be responsible for conduct of property purchase matters relating to appraisals.

RECORDS RETENTION

Appraisals are considered to be part of official State documents and a copy of *all* appraisals shall be retained for State records and in accordance with approved record retention schedules. Where correction or revision is necessary, appraisals shall not be returned and the appraiser shall furnish supplemental pages or portions of the report for attachment to the original record copies.

NUMBER OF APPRAISALS

As a standard procedure all property purchases shall, at the minimum, be supported with the following number of appraisals:

Category	*Estimate Value Property*	*Number of Appraisals*
1	0-$ 5,000	1
2	$5,000-$100,000	2
3	$100,000 & Over	3

ADDITIONAL APPRAISALS

Additional appraisals may be authorized for any category when indicated in the public interest and reasons therefore are documented prior to ordering.

SPECIALS (NON-REAL ESTATE) REPORTS IN SUPPORT OF VALUATION

On occasion the use of specialists (non-real estate) appraisers may be required in the valuation of special items, such as machinery, equipment, building cost estimates, architects, studies, etc.

Such specialists' reports when required shall be ordered in addition to the real estate reports and the value of such items shall not be arbitrarily added to the valuation of other real property but shall be considered to the extent of their contributing value to the whole property.

APPRAISALS SHALL BE INDEPENDENTLY MADE

No person who has made an appraisal or who participates in preparation of same shall negotiate for that property. Total independence between the evaluation and the negotiation function is the obvious purpose and intent of this section.

NEGOTIATIONS

No negotiations shall be undertaken until all the appraisals for an anticipated acquisition have been secured and approved. The purpose being to eliminate pre-establishment of price commitments prior to having the proper appraisal document in hand.

APPRAISERS

It shall be the policy of the State to retain the best qualified appraisers for a particular job. While it is not possible to set forth fixed inflexible standards and criteria for qualifications for an appraiser, it is deemed in both the State and the public interest that an appraiser successfully complete one or more courses in appraisal of real estate at the university level or possess an equivalent in appraisal background and experience.

Professional designation is desirable but not mandatory for fee appraisers. Proof of comparable attainment is acceptable but not prefereable.

PREQUALIFICATION

The Division of Purchase and Property shall maintain a list of pre-qualified fee appraisers. This list shall be kept on a statewide basis.

Guidelines covering the minimum desirable qualifications for determining the characteristics deemed essential for fee appraisers follows:

FEE APPRAISERS QUALIFICATIONS OUTLINE

1. Graduation from high school or equivalent education.
2. Holding a certificate of completion from a business or professional course, with specialization in real estate, real estate appraisals, real estate and commercial law, conveyancing, laws of eminent domain, and related subjects, or proof of training, education, and experience equivalent thereto.

   Such formal courses shall specifically include at least two (2) semester length courses in real estate appraisal or the appraiser shall have completed the equivalent in formal recognized ap-

praisal courses such as the American Institute of Real Estate Appraisers (MAI) Courses I and II or others similar.

3. At least five (5) years successful experience in real estate operation, appraisal of real estate and land development totalling a minimum of 100 appraisals. This should include experience in both urban and rural lands, buildings and improvements, residential, business, and industrial properties, and similar real estate and appraisal experience.

4. Membership in the American Institute of Real Estate Appraisers (MAI), in the Society of Real Estate Appraisers, or in some similar recognized technical organization interested in real estate operations, appraisals, and valuations of established or equivalent standing and reputation. If not a member of any similar technical organization, proof shall be presented of comparable attainment in the appraisal and valuation field by other means, such as advanced courses in recognized institutions in the valuation and appraisal field or ability to pass a comprehensive test prepared by the Department.

5. All appraisers should have experience and ability in interpreting property plans, and be familiar with basic legal principles and court decisions affecting appraisal and valuation of property taken by the State for public purposes.

6. Appraisers testifying as experts in condemnation proceedings should also demonstrate special ability and superior knowledge in specialized fields in

which appraiser is to testify, and should possess personal qualifications as an impressive and effective witness.

(EXCEPTIONS)

The above requirements do not include (non-real estate) specialists, each of whom must be judged on the basis of his specific specialty and the requirement of the assignment.

It is also to be recognized that some appraisers who may be lacking in one or more of the listed requisites could otherwise be very well qualified to undertake specific individual assignments in the public interest.

Or they could qualify for and very well undertake assignments on less complicated parcels. Each applicant must be individually judged in the light of these variable factors.

FEE APPRAISERS APPLICATION AND PREQUALIFICATION PROCEDURE

Fee appraisers must be prequalified before being considered eligible for retention in making appraisals for State purposes. A standard application form shall be developed by the Division of Purchase and Property.

Applicants shall be required to complete this form and to submit sample copies of their previous professional products. Application and sample appraisals shall be analyzed and personal interviews conducted.

Following the interview and analysis, the Director shall certify to the qualifications of the applicants' background and ability. Nothing in this section shall preclude the designation to a lower staff member of the certification process.

Appraisers who do not meet the minimum required specifications shall *not* be retained to perform appraisal services for the State.

APPRAISAL FEES

It shall be the policy of the Division of Purchase and Property that the amount of the fee for an appraisal shall represent just and fair compensation for services rendered, including court testimony.

Whenever an appraisal fee shall be in excess of $250, a qualified individual representing the Division of Purchase and Property shall visit the site and determine the number and type of appraisals needed and estimate a fee or alternatively the schedule category in which the subject property falls.

The files shall always be fully documented in writing as to the basis of the estimated fee whether negotiated or from the schedule.

Provisions shall be made for a per diem rate to be paid the appraiser as a witness in condemnation. This contingent cost shall be separate and apart from the appraisal fees and only paid when performance has been required.

Factors to be considered in estimating and documenting fees are as set forth below. Fee schedules as indicated should be utilized wherever possible. It should be noted that these fee schedules are among those utilized by the Federal Highway Department.

Some of the factors to be considered in estimating and documenting fees are set forth in the following section relating to appraisal fees.

APPRAISAL FEES

It shall be the policy of the Division of Purchase and Property that the amount of the fee for an appraisal shall represent just and fair compensation for services rendered, including court testimony.

Factors to be considered in estimating fees are as set forth below. It should be noted that these fee schedules are utilized by the Federal Highway Department and the New Jersey State Department of Transportation.

Some of the factors to be considered in estimating fees are as follows:

1. The complexity of the appraisal or other work to be undertaken and the skills necessary to provide such services.
2. The number of parcels included in the assignment.
3. The amount of information and data provided the fee appraiser by the State and the extent of information that must be developed independently by the fee appraiser.
4. The location and conditions pertinent to the project for which the fee appraiser service is to be provided.
5. The type of report format and other data required.

FIXED FEE SCHEDULES

Notwithstanding the variables incurred in each appraisal assignment, some evaluation problems fall into categories which permit the general application of schedules as opposed to the process of individually negotiating all fee contracts.

To provide wherever possible for uniform fees, fully commensurate with current

stringent appraisal requirements, the State has adopted the following fee appraiser schedule which is to be used as a basis for establishing fee appraiser fees, unless specifically otherwise provided in writing.

These fees have been established with full knowledge of the expense and time factors facing the independent professional appraiser and with full knowledge that if the appraiser is to furnish the State with complete documentation, prompt service, and follow-ups as required to meet all State and other requisites as to documentation in support of settlements, fees must be fair, just and fully commensurate with the work and services requested.

SCHEDULE OF APPRAISAL FEES

Class No. 1 Residential	*Total Take*	*Partial Take*
Vacant Land	$175	$225
1 Family Dwelling	250	350
Alternate*	225	*300
2-3 Family Dwelling (income if applicable)	275	400
Multi-family income dwelling up to 8 units	400	600
Apartment property 8-16 units	500	800
Apartment property over 16 units	Fees to be negotiated	
Categories not listed	Fees to be negotiated	

NOTE—Vacant land shall include unimproved residential (non-income) lots. Abutting lots under the same ownership not exceeding ten (10) in number or unsubdivided lands in one tract not exceeding five (5) acres shall fall into this category.

Residences, both 1 and 2 and 3 family units, shall include vacant lots abutting the residential units whether used in conjunction therewith or not. So long as they are in the same ownership, they shall be treated as one appraisal and shall include all extra small structures such as garages, etc.

RESIDENTIAL ALTERNATE (*)—On uncomplicated entire takings of residential single family properties where adequate market data is available, the "abbreviated" shortened format defined in Section III of this manual may be authorized. In this event, the lower fee alternate shall be clearly noted that the appraiser may submit the "abbreviated" report.

Class No. 2 Farm Lands	*Total Take*	*Partial Take*
Unimproved Farm Land 10-50 Acres	$300	$400
Unimproved Farm Land 50-100 Acres	500	700
Unimproved Farm Land over 100 Acres	Fees to be negotiated	
Farm Land and Buildings up to 100 Acres	600	800
Farm Land and Buildings over 100 Acres	Fees to be negotiated	
Categories not Listed	Fees to be negotiated	

NOTE—Properties in this category are considered to include farm and related properties. For purpose of definition, farm lands shall include any property of ten (10) acres or more used primarily for

farming or related purposes and not used primarily for industrial or other commercial purposes, and may include lands available for non-income type residential subdivision.

Class No. 3 Commercial Properties	*Total Take*	*Partial Take*
Vacant Commercial Land	$300	$400
Service Station	800	1,000
Commercial Structures—combination store, business or other, up to 4 units	500	700
Diners	800	1,000
Commercial Structures—combination store, business or other, 5 to 8 units	1,000	1,500
Special purpose properties	Fees to be negotiated	
Motels	Fees to be negotiated	
Categories not listed	Fees to be negotiated	

NOTE—This class is to include vacant lots abutting the improved unit in question, whether used in conjunction with the improvement or not. So long as they are in the same ownership, the appraisal shall include the entire property evaluated as one entity under the highest and best use premise.

Vacant land shall include abutting plots under the same ownership up to five (5) acres, regardless of the manner in which they are subdivided.

Class No. 4 Special Purpose Properties Parcel Revision	*Total Take*	*Partial Take*
Industrial and special purpose properties	Fees to be negotiated	
Special engineering or architectural reports (non-real estate)	Fees to be negotiated	
Revision of submitted appraisal due to parcel revision	Fees to be negotiated	
Categories not listed	Fees to be negotiated	

The work performed by fee appraisers is considered a professional service and formal solicitation of bids therefore may be waived. However, the Director shall not be precluded from requesting proposals from qualified appraisers in instances where major takings are contemplated.

ORDER APPROVAL

All appraisal orders and contracts *must* be approved and executed by the Director prior to the issuance of assignments.

SECTION II

Fee Appraiser Contracts, Appraisal Format and Affidavit of Appraiser

MINIMUM REQUIREMENTS FOR FEE APPRAISER CONTRACTS AND AGREEMENTS

Minimum requirements for fee appraiser contracts shall contain the following:

1. All agreements and contracts shall be in writing and approved by the Director on behalf of the State and accepted in writing thereby formulating a contract.
2. Date of agreement.
3. Complete name and address of each party to the agreement whether individual, partnership or corporation.
4. Adequate description of property to be appraised.
5. Description of work to be done, in sufficient detail to show the nature and extent of the services contemplated.
6. Provision for the appraiser to testify in court, if necessary, and the applicable per diem rate.
7. Provision that the work will be accomplished by the appraiser and *not* subcontracted in any part unless specifically indicated as a part of the contract.
8. Specifications as to the content and format of appraisal reports. Absent cogent overriding circumstances in the public interest, the appraisal format and content shall be as hereinafter defined.

9. Data to be furnished the appraiser by the State.

10. Specifics as to the commencement and completion of work.

11. The basis of payment for services to be performed.

12. The following provision:

"The appraiser warrants that he has not employed or retained any company, firm or person, other than a bona fide employee working solely for the appraiser, to solicit or secure this agreement, and that he has not paid or agreed to pay any company, firm or person, other than a bona fide employee working solely for the appraiser any fee, commission, percentage, brokerage fee, gifts, or any other consideration, contingent upon or resulting from the award or making of this agreement. For breach or violation of this warranty, the State shall have the right to annul this agreement without liability."

13. Provisions that would permit the negotiation for mutual acceptance of major changes in the scope, character, or estimated total cost of the work to be performed if such changes become necessary as the work progresses.

14. Provision that would permit termination of the agreement by the State in case the appraiser is not complying with the terms of the agreement, the progress or quality of work is unsatisfactory, or for other stated reasons. Provision covering the ownership of work completed or partially completed and basis of pay-

ment therefore in the event of termination of the agreement by the State.

15. Provision for a procedure for resolving any dispute concerning a question of fact in connection with the work not disposed of by agreement between the parties, conforming to the practice followed by the State Transportation Department in resolving disputes in other contractual matters.

16. An expressed prohibition against the subletting or transfer of any of the work except as is otherwise provided for in the agreement.

17. Instructions that the appraiser is to follow accepted principles and techniques in evaluation of real estate in accordance with existing State law.

18. Provision for execution of the Affidavit of Appraiser. (See attached)

19. Properly executed signatures and dates.

20. Provision for compliance with N. J. S. A. 10:2–1 through 10:2–4 with all amendments. (Statute Prohibiting Discrimination in Employment on Public Contracts)

APPRAISAL REPORT FORMAT

Appraisal reports for all matters shall contain all items that are essential to the document and support the value estimate and are in accordance with accepted appraisal practice.

Appraisals shall be independently prepared in all instances. Each appraisal shall contain the appraisers certification and affidavit hereinafter attached and described.

Except on nominal value properties where the estimate is under $1,000.00, all appraisals shall be made in accordance with the following format. Nominal value acquisitions of less than $1,000.00 may be made in short form as long as the value is related to the market and includes a sales analysis and other value supporting information.

Fees shall be adjusted commensurate with the rendering of a short format for a nominal taking.

APPRAISAL REQUIREMENTS

Except for nominal value parcels (under $1,000) defined above, the following elements as a minimum shall be included in all appraisals:

1. Property identification and identification of any lesser part to be appraised.
2. Names of apparent owners.
3. Location of property.
4. Total area of property in square feet or acres.
5. A five (5) year delineation of title, *must* be included in all reports submitted to the Division of Purchase and Property (except nominal value parcels), indicating each sales in the past five years, the parties thereto, the consideration of each transaction, as well as the book and page where recorded and the identity of the party with whom the information was verified.

   Where the value conclusion varies substantially from any transaction in the five year period, a full explanation shall be included in the appraisal.

When there are no sales in the previous five years, the last recorded sale shall be indicated together with a statement that there have been no sales during the past five (5) years.

PURPOSE OF APPRAISAL

1. Statement of value to be estimated.
2. Rights or interests being appraised.

(d) *Description of Property.*

General location, present use, total area, zoning, type and condition of improvements and special features that may add to or detract from the value of the property. In case of a partial acquisition, there shall be a similar description of the remainder property.

(e) *Highest and Best Use.*

State the highest and best use of the property on which the appraisal is based before the acquisition of certain rights and interests and the highest and best use of the remainder after the take when a partial take is involved. In either instance if the existing use is not the premise on which valuation is based, the appraisal shall contain an explanation justifying the determination that the property is available and adaptable for a different highest and best use and there is demand for that use in the market.

(f) *Documentation*

1.) The "before and after" method of valuation as interpreted by State law shall be used in partial acquisitions except where it is obvious there is no damage or benefits to the residue land or improvement.

2.) The appraisal shall include all applicable approaches to value. If an approach is not considered applicable, the appraiser shall state why. All pertinent calculations used in developing the approaches shall be shown.

a) Where the cost approach is utilized, the appraisal report shall contain the specific source of cost data and an explanation of each type of accrued depreciation.

b) In the market approach, the appraisal report must contain a direct comparison of pertinent comparable sales to the property being appraised. The appraiser shall include a statement setting forth his analysis and reasoning for each item of adjustment to comparable sales and a sales summary and analysis in grid form.

c) Where the income (capitalization) approach is used, there shall be documentation to support the income, expenses, interest rate, remaining economic life and capitalization rate. Where it is determined that the economic rental income is different from the existing or contract income, the increase or decrease shall be explained and supported by market information.

3.) Where authorized by State law, benefits shall be offset against the value of the part taken and/or damages to the remainder in accordance with such law. The after value appraisal shall eliminate any consideration of damages that are

not compensable or benefits not allowable under State law, even though they may, in fact, exist in the ultimate value of the remaining property in the market. In case of doubt, a State legal ruling should be secured.

4.) The appraisal of the after value shall be supported to the same extent as the appraisal of the before value. This support shall include one or more of the following:

a) Sales comparable to the remainder properties.

b) Sales of comparable properties from which there have been similar acquisitions or takings for like usages.

c) Development of the income approach on properties which show economic loss or gain as a result of similar acquisitions or takings for like usages.

d) Indications from severance damage studies as related to similar takings.

e) Public sales of comparable lands by the State or other public agencies.

f) In the event the data described in *a* thru *e* above are not available the appraisal shall so state and give the appraiser's reasoning for his value estimate.

5.) When taking is partial, a complete "before" and "after" appraisal should normally be made

indicating the value of the whole property before the taking and the value of the remainder after the taking both the "before" and "after" approaches should be individually and properly supported with the appropriate applications, costs, market, and income approaches as applicable. The difference between the before and after appraisal will represent the value of the property to be acquired including the damages and benefits to the remainder property. To assist the review appraiser the appraiser shall in the appraisal or separately analyze and tabulate the difference showing a reasonable allocation to land, improvements, and damages.

6.) Where two or more of the approaches to value are used, the appraisal shall show the correlation of the separate indications of value derived by each approach along with a reasonable explanation of the final conclusion of value. This correlation shall be included for both before and after appraisals.

7.) All appraisals shall include identified photographs of the subject property including all principal above ground improvements or unusual features affecting the value of the property to be taken or damaged.

8.) Appraisal reports for whole takings shall contain a sketch or plot of the property showing boundary dimensions, location of

improvements and other significant features of the property. For partial takings the sketch or plot shall also show the area to be acquired, relation of improvements to the taking area, and area of each remainder.

9.) Each appraisal report shall contain or make reference to the comparable sales which were used in arriving at the fair market value estimate. The appraiser shall state the date of sales, names of parties to the transaction, consideration paid, financing, conditions of sale, and with whom these were verified, the location, total area, type of improvements, his estimate of highest and best use at the date of sale, zoning and any other data pertinent to the analysis and evaluation thereof. If the appraiser is unable to verify the financing and conditions of sale from the usual sources, such as, buyers, seller, broker, title or escrow company, etc., he shall so state. Pertinent comparable sales data shall include identified photographs of all principal above ground improvements or unusual features affecting the value of the comparable.

10.) All property appraised and the comparable sales which were relied upon in arriving at the fair market value estimate shall be personally inspected in the field by the appraiser.

11.) Each appraisal report shall contain the date of appraised valu-

ation and be signed by the appraiser.

12.) Each appraisal report shall contain the affidavit of appraiser. (Hereinafter attached)

(2) *Specialty items*

When a separate valuation of machinery, equipment or other specialty items is required, the value of such items shall not be arbitrarily added to the valuation of the other realty, but shall be considered to the extent of the contributory value in establishing the value of the whole property.

(a) Each acceptable estimate prepared by a specialist retained for the State shall be made available to all appraisers for analysis and incorporation into their appraisal reports to the extent deemed appropriate by the individual appraiser. The State shall have the specialist's appraisal reviewed by their review appraiser, or staff specialist to determine its acceptability before distribution to the fee or staff appraisers.

AFFIDAVIT OF APPRAISER

STATE OF .....
} s.s.:
COUNTY OF .....

....., being duly sworn deposes and says:

That on ..... (date) (s), I personally inspected in the field the property herein appraised and the comparables relied upon in making said appraisal and they were as represented by the photographs contained in said appraisal.

That to the best of my knowledge and belief the statements contained in the appraisal hereinabove set forth are true, and the information upon which the opinions expressed herein are based is correct; subject to the limiting conditions herein set forth.

That I understand that such appraisal may be used in connection with the acquisition of ..... the State of ..... and that such appraisal has been made in conformity with the appropriate State laws, regulations, and policies and procedures applicable to appraisal of property for such purposes, and that to the best of my knowledge, no portion of the value assigned to such property consists of items which are noncompensable under the established law of said State.

That neither my employment nor my compensation for making this appraisal and report are in any way contingent upon the values reported herein.

That I have no direct or indirect present or contemplated future personal interest in such property or in any benefit from the acquisition of such property appraised.

That I will not reveal the findings and results of such appraisal to anyone other than the proper officials of the State Department of Purchase and Property until authorized by State officials to do so, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

That the conclusion set forth in this appraisal is my independent opinion of the value of the property as of the ..... day of ....., 19...., and that such conclusion was reached without collaboration or direction as to value.

....
(Witness) (Signature)
(Where required by State law)

IN WITNESS WHEREOF, the said ..... has hereunto set his hand and seal.

Subscribed and sworn to before me this ..... day of ....., 19....

.....
Title of Officer

SEAL

My Commission Expires .....

(The date (or dates) to be shown in the first provision of the Affidavit is the date (or dates) that the appraiser inspected the property that he was appraising and the comparables.

The date in the provision immediately preceding the signature is the date as of which the valuation was made.

The date following the signature is the date the Affidavit is executed.)

SECTION III

Appraisal Review and Review Function of New Jersey State Department of Transportation

APPRAISAL REVIEW

Appraisals are acquisition documents by which equitable settlements are achieved and documented. They are used to assist negotiators, answer questions of owners and serve as official expenditure documents. They must therefore satisfy the requirement not only of documentation but of demonstrating and assuring that each owner is fully compensated in accordance with the law and that no one is unjustly enriched.

Appraisal review is the sine qua non of the appraisal process. The Review Appraiser is the person responsible for the achievement of the desired final appraisal product, responsive to applicable law, State policy and procedures and public acceptance.

In effect, the reviewer is a professional appraiser representing management who correlates all available information and formulates the estimate of fair market value on which the State will rely.

REVIEW REQUIREMENTS

Appraisal reports shall be independently reviewed by an authorized and qualified review appraiser *before* the start of any negotiations or testimony in court.

REVIEW FUNCTION OF N. J. STATE DEPARTMENT OF TRANSPORTATION

By reason of the staff of qualified professional reviewers maintained by the N.J. State Department of Transportation, it shall be established as a standard operating procedure that the N.J. State Department

of Transportation Director, Right-of-Way Division, shall be requested on a cooperative basis, through the mutual offices of the State Treasurer and the Commissioner of the Department of Transportation to have his staff review and set forth his independent findings as to fair market value prior to the institution of negotiations for any property acquisitions.

In the event of an emergency which would reclude participation by the New Jersey Department of Transportation in the review process, the Director shall retain outside review appraisers on a retainer commensurate with the project in question.

REVIEW APPRAISER'S STATEMENT OF VALUE ESTIMATE

The Review Appraiser shall place in the file a signed and dated statement setting forth:

1. His estimate of fair market value.
2. That as a part of the appraisal review there has been a field inspection of the parcel or parcels to be acquired and the comparable sales applicable thereto.
3. That he has no direct or indirect, present or contemplated interest in such property or will be in any way benefit from the acquisition of such property appraised.
4. That his estimate has been reached independently based on appraisals and other factual data available without collaboration or direction except for recorded instruction and assistance from authorized appraisal review supervisory personnel.

LEGAL INFORMATION

It shall be the policy of the Department of Purchase & Property that adequately documented and reviewed appraisal documents will conform to the legal requirements of the State's new Uniform Eminent Domain Statutes, RS 20:3–1 et seq., dated 12/21/71.

On questionable individual cases, involving legal opinions or decisions, legal counsel should be consulted. The offices of the respective Deputy Attorney Generals assigned to the Department of Purchase & Property and the Department of Transportation should be utilized to the fullest extent possible not only during negotiations but prior thereto, if necessary when legal questions arise.

THE REVIEW PROCESS

The review processs at the minimum shall include the following steps:

1. Initial office review of appraisals.
2. Field review of subject property and comparable sales.
3. Final office review and conclusion.

INITIAL OFFICE REVIEW

The review appraiser shall examine the appraisal reports to determine that they:

1. Are in acceptable accordance with defined contract conditions and with the procedures, standards and methods set forth in the heretofore described conditions and methods including proper affidavits and certifications of the appraiser.
2. Follow accepted professional principles and techniques in the evaluation of real estate in accordance with existing State law.

3. Contain the information and documentation necessary to substantiate the conclusions and estimates of value contained therein.

4. Include considerations of all compensable items and do not include compensation for items noncompensable under State law. Whenever doubt exists as to legal matters, the Department of Law shall be consulted for an opinion or ruling.

FIELD REVIEW

As a part of the field review, the reviewer shall:

1. Inspect the subject premises under appraisal and verify accuracy of descriptions and references to the property and of any improvements thereon.

2. Make enough field trips to be familiar the the economics of the vicinity of the property being appraised.

3. Personally view the comparable sales and other market indices included in support of the appraisals or judged applicable. Particular emphasis shall be ascribed to assure the sales are those most reasonably comparable to the subject.

FINAL OFFICE REVIEW

The final office review shall in effect be an overall recapitulation and correlation of all available information, after which the reviewer reaches a final conclusion and value estimate.

When necessary to bring an appraisal up to contract standards or to clarify an item, the Review Appraiser may request supplemental information from the appraiser. All such supplemental material shall be

added to the official files so as to formulate a complete record of the appraisal documentation. The reviewer may not alter or change an appraisal report in any way. All changes, corrections, or additions must be formally submitted by the appraiser as an officially recorded supplement to his original report.

Normally, the reviewers decision shall fall into one of the following categories:

1. The appraisal is accepted and approved in its entirety.
2. The appraisal is acceptable, but not approved in its entirety (in which event the reviewer may supplement the file, or other appraisals in the file for the subject property to indicate to the reviewer that a value conclusion can be supported).
3. The appraisal is acceptable for payment of any fee involved, but not accepted in whole or in part in estimating value.
4. The appraisal is rejected and that no fee be paid to the contract appraiser.

If the review appraiser cannot agree with the findings of the appraiser after attempts at rehabilitation of the report through supplementation have failed, the records of his actions and the reasons therefore as to his difference shall be made a documented part of the file after which he shall secure authority to obtain another appraisal or secure one of his own.

When the reviewer prepares a report of his own, it must be fully documented and he shall be prepared to testify in court in support of his value estimate. Additional appraisals shall be secured when absolutely necessary and as a supplement to the

original documentation. In all instances any such additional reports shall be fully reviewed prior to their use in negotiations or condemnation.

REVIEW APPRAISERS STATEMENT OF VALUE ESTIMATE

When the review processes have been accomplished; (1) Initial office review, (2) Field inspections, (3) Final office review, the review appraiser shall place in the file a signed and dated statement together with a new conflict of interest affidavit setting forth:

1. His estimate of fair market value.
2. His understanding that the value estimate will be used as a part of State of New Jersey expenditure documentation.
3. That as a part of his review he has checked the appraisals for contract compliance and professional acceptability and that there has been a field inspection of the parcel under appraisement and the comparable sales applicable thereto.
4. That he has no direct or indirect present or contemplated interest in such property or will be in any way benefit from the acquisition of such property appraised.
5. That his estimate has been reached independently based on appraisals and other factual data available without collaboration or direction except for recorded instruction from authorized State professional personnel.

REGISTRATION OF VALUE STATEMENT

Prior to commencement of any price discussion or property negotiation actions the appraisal shall have been secured and reviewed.

The appraisal and the reviewer's signed statement shall be permanently "registered" and recorded independent of the negotiations function and "match audited" against unauthorized changes in value prior to formal commitment of State property expenditure commitments.

Unauthorized changes in appraisal documentation may not be made unless there is a complete new review and a formal recording and registration of the new documentation by the reviewing organization or agency.

EFFECTIVE DATE

These procedures shall be effective immediately or as soon thereafter as they can be published in summary form in the official State register of administrative procedures.

RESPONSIBILITY

As heretofore indicated, the Director of Purchase and Property and his officially designated staff representatives shall have the responsibility of assuring proper compliance with these procedures.

APPENDIX B

IN REPLY PLEASE REFER TO

DEPARTMENT OF TRANSPORTATION
1035 PARKWAY AVENUE
TRENTON NEW JERSEY 08625

JOHN C. KOHL
COMMISSIONER

Mr. Andrew Phelan
Executive Director
Commission of Investigation
28 West State Street
Trenton, New Jersey 08608

Dear Mr. Phelan:

In response to verbal request of your Mr. Julius Cayson, our representatives have accomplished office and field reviews of certain appraisals prepared for a State agency.

I have personally reviewed the contents and format of the report and as a professional appraiser holding the M.A.I. designation, I concur in the findings.

Very truly yours,

James V. Hyde, Jr., M. A. I.

Mr. James V. Hyde, Jr.:

In response to your recent request, the writer and Mr. Moxley have reviewed appraisals on the Stockton State College acquisitions submitted by Interstate Appraisal Company of Cherry Hill, New Jersey, and Atlantic Appraisers, a Division of S. C. Schefrin of South Orange, New Jersey, which were furnished by Mr. J. M. Cayson, Jr., on September 2, 1971.

Two separate field trips were made by us on September 8 and September 13, 1971 to view the properties being acquired and inspect the sales data which had been submitted in support of the estimated values. Our review dealt primarily with the appraisals for the Oak Pond Associates Ltd. lands which were to be acquired. However, in the reports furnished us by Mr. Cayson, appraisals for tracts other than Oak Pond were available and several cross-references made but were not reviewed in detail.

It is our understanding the purpose of the review was to form an opinion, using our professional judgment, and make a report determining whether or not currently acceptable appraisal practices and techniques were used by the appraisers and whether or not sound supportable value conclusions were reached by the real estate evaluators. From all the data we have reviewed, the final value conclusions of both appraisers appear to be considerably inflated as concerns the Oak Pond acquisition. The reasons for this conclusion will be further explained in following observations which deal with the misuse of acceptable current appraisal techniques by both reporters.

The Schefrin Company reports on the Oak Pond holdings consist of about two dozen reports on different tax map, block and lot designations which range from one-half acre in size to 178 acres, for a total area of 609 acres. The preparation of so many reports on this holding which totals about 524 acres, according to the Planning Consultants study, and 595 acres as reported by the other appraisal consultant, cannot be considered a proper appraisal technique. This large holding has three non-contiguous parts which are about 558, 35 and 1.6 acres in size. It would be acceptable practice to have only one appraisal for this ownership unless there were other specific purchase plans under consideration, such as partial acquisition of one or more areas only.

With the exception of the three lots improved with cabins, no matter what the size of the tract, the same four sales are used throughout these reports, except one, without regard to their size or physical similarity. These sales are from 3 to 10 acres in size and are used for every tract, whether one-half acre or 178 acres, and without regard to road frontage, physical characteristics or even the fact some lots are almost completely covered by the water of the shallow man-made lake on the tract. The one exception is a 10 acre lot utilizing a 2-½ acre sale, 3.64 acre sale, and 4.60 acre sale.

Concerning Atlantic Appraisers reports on the three tracts with residential improvements, only the cost approach is used. This is obviously improper technique and an indication of the low level of appraisal quality that we feel runs throughout all the reports. The major fallacy of the Atlantic Appraisers reports is that only small tracts not comparable whatsoever to the 600 acre ownership under appraisal were used as a basis of comparison. Having a much greater degree of road frontage and for other related factors, small sales of this type reflect a much higher acreage value than would result if comparable large tracts of land were utilized as the basis of comparison.

It is also interesting to note that each report by Atlantic Appraisers states as a part of their qualifications that they are appraisers for the Department of Transportation, State of New Jersey. To the best of my knowledge, they have never been approved to appraise for the Department and have never received any appraisal contracts whatsoever from the Transportation Department.

In conclusion, as relates to actual market support, had either of the appraisal companies utilized both actual open market sales and those reasonably comparable to the subject property, they would have arrived at a value conclusion much lower than that submitted.

The major fallacy of Interstate's submission is the fact that the value conclusion is virtually totally based on two listings (meaning offers of sale instead of consummated open market transactions). This results in a totally inflated value not representative of the market. Additionally, the only actual consumated sale used in support of Interstate's value for Oak Pond is entirely out of

Atlantic County over 30 miles distant in Salem County, and concerns a giant chemical company that made a special purpose assemblage to acquire water resources for a sizable installation. Thus, this sale does not represent the normal open market concept, let alone the lack of comparability by reason of its remoteness from the subject. Use of this sale, therefore, tends to reflect an inflated value as do the listings.

MARKET ANALYSIS

As a part of the requested review, we have examined those sales on the local real estate market as of the date of the subject appraised valuation.

Those large tracts considered to be reasonably comparable to the subject property which have actually sold in the local market are plotted on the attached map (not included in this report) and are as follows: (See table on page 132.)

MARKET CORRELATION AND ANALYSIS

The above sales are all reasonably comparable to the subject property. Granting equal weight to each, the average of $300 per acre × 600 acres for the subject tract reflects by average market comparison a value of $180,000 for the subject property that has been appraised by the Atlantic and Interstate companies.

If the higher price sale of the subject property were excluded in the above market analysis by reason of proof that it did not represent a typical arms-length transaction, the market comparison would then reflect an average of $250 per acre or $150,000 for the entire subject property.

SALES SUMMARY AND ANALYSIS

Book	*Page*	*Date*	*Grantor*	*Grantee*	*Consideration*	*Size*	*Reflects per Acre*
2448	85	10-29-68	Sable Realty	Seaview (Weisbecker)	$ 85,500	385±	$ 222
2485	88	4-24-69	Desiderio	Marrazzo	$131,340	505±	$ 260
2509	364	2-16-70	W. J. Marrow	J & M Land Co.	$ 61,500	240±	$ 250*
2489	30	9- 4-69	Saw Mill Pond	Oak Pond Assoc.	$296,250	622±	$ 475**
2489	39	9- 4-69	Tanner Brook, Inc.	Oak Pond Assoc.			
						4)	$1,207
				Average Price per Acre		(use)	$ 300

NOTE * This sale took place after the appraisal date and notwithstanding time factor, continues to indicate large tracts as selling at $250 an acre thereby establishing a ceiling.

** This is the subject which was included in the analysis even though it is substantially above the rate at which other large tracts in the local area were selling. Only 600 acres are being appraised.

SUMMARY AND CONCLUSIONS

Normally, a prudent appraiser would have given virtually total consideration to the heretofore mentioned open sales of large tracts which actually were consummated and whose location is within minutes of the subject property. These sales besides being most comparable on the basis of time, location and utility, are also in a size category that requires little or no other adjustments.

The use of listings instead of comparable sales plus one special purpose property located over 30 miles distant by Interstate appears to result in a grossly inflated value estimate not representative of the actual sales market.

The use of small non-comparable 5 to 10 acre tracts with high percentages of road frontage by reason of submitting over 20 separate appraisals on the one single ownership as followed by Atlantic also appears to have resulted in a grossly inflated value not representative of the market.

No further review study was made in relation to other appraisal requisites and techniques as it is not known what specific contractual requirements (if any) as to professional appraisal format and content were arranged by the employing agency. It is not known whether the employing agency utilized any review process whatsoever which is standard in most public agencies as of this era. If a review had been made by qualified personnel, there is little doubt but that the same discrepancies here reported would have been uncovered and questioned prior to property expenditure.

Horace Woolverton
Chief, Bureau of Appraisals
Transportation Department

VAN HORN & DOLAN
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Andrew F. Phelan, *Executive Director*
State of New Jersey
Commission of Investigation
28 West State Street
Trenton, New Jersey

Re: Review of certain appraisal reports by Interstate Appraisal Co. and Atlantic Appraisers which deal with lands of Oak Pond Associates in Galloway Township, Atlantic County, New Jersey. Assignment No. 4853.

Dear Mr. Phelan:

Pursuant to your request, I have examined the material submitted. The accompanying report sets out what has been done, what has been considered and the conclusions reached.

The review has been limited to the material submitted (as opposed to doing my own examination, investigation and otherwise carrying out the essentials of the appraisal process) and largely confined to the Oak Pond holdings appraised.

Preceding the review are certain comments concerning differences in the factual bases of the reports. The review is divided into three principal sections: one dealing with appraisal practice generally and establishing a general framework; one dealing with the work of Interstate Appraisal Co. (sometimes referred to in the report as "Interstate") and one dealing with the work of Atlantic Appraisers (sometimes referred to in the report as "Atlantic").

In the review process, it has at all times been recognized that the real estate appraisal process is an exercise in judgment, in fact a pyramid of judgments underlying the final opinion of value. The objective, on the one hand, has been to be reasonable and fair and, on the other hand, to comment with some specificity. While the work of two appraisers has been under review at the same time, where comments appear concerning each appraiser's work, the endeavor has been to confine those comments strictly to the work of that appraiser rather than to make any side-by-side comparison of the product.

The review report does not include this reviewer's opinion of the value of the Oak Pond holdings appraised by Interstate and Atlantic. Such an opinion could only be reached by the reviewer making his own independent appraisal—beginning from the sort of sound base referred to on page ii of the immediately following memorandum (Possible Differences in Properties Appraised and Other Areas in Question).

All materials received and reviewed, listed on two pages appearing at the end of this report, accompany the report though physically separated from it.

Very truly yours,

A. W. Van Horn, *M.A.I.*

Possible Differences In Properties Appraised and Other Areas In Question

Interstate—Atlantic—Oak Pond.

Based on the block/lot numbers enumerated in the appraisals by the two above-named appraisers:

Atlantic shows Block 908 Lots 1 & 2 not shown by Interstate.

Atlantic shows Block 911 Lot 53 not shown by Interstate.

Atlantic shows Block 1057 Lots 20-pt. of 21 & 23-24 not shown by Interstate.

Whereas:

Interstate shows Block 906 Lot 1 & 2 not shown by Atlantic.

Interstate shows Block 971 Lots 20 & 21 not shown by Atlantic.

Based on the sketches and the map exhibits in the Atlantic and Interstate Oak Pond reports checked against the tax maps (furnished by the Commission on 7 October 1971 independent of the appraisals) Atlantic's appraisal work appears to have embraced Block 906 Lot 3 (land on the generally westerly side of Innsbruck Ave.) Interstate's map exhibit does not appear to include this parcel.

Interstate's map exhibit includes what appears on Galloway tax map sheet 14 as Block 908 Lots 1 and 2, whereas its listing does not.

While Atlantic's written material covers Block 911 Lot 53, there is a departure from other reports in that it does not include a sketch of this appraised parcel. Perusal of the tax map sheet furnished does not quickly clear up the question of where and what it is.

Atlantic's sketch of Block 1057 Lots 20-pt. of 21 & 23-24 and Interstate's overall exhibit coupled with tax map sheet 14, would lead one to believe that both have appraised it, but that Interstate has interpreted the property as being in Block 911.

Interstate's listing of Block 906 Lots 1 and 2 would appear to result from an error in map reading.

Prefatorily, this reviewer has no knowledge of the contract arrangements between the buyer of the appraisals and the appraisers and, therefore, no knowledge of requirements, performance standards, guide-lines or instructions, if any, which were supposed to be followed.

It is usual for sophisticated public agencies and—for that matter—individuals and entities in the private sector to have some understanding (be it formally stated or by way of informal discussion) as to content and scope. In certain instances, where many appraisers or more than one on the same assignment are being dealt with, the contract dictates form and order of presentation as well.

Typical good practice calls for critical analyses and review of the appraisal report/s before acting on and using the value/s expressed.

Absent some coverage requirements and orderliness, critical review and particularly comparative review is difficult and inordinately time consuming, if not impossible.

Lacking knowledge of the hiring agreements, one cannot comment on compliance or non-compliance.

CRITERIA

The words "appraisal" and "appraisal report" are open to some range of interpretation.

"Appraisal" may mean anything from a hastily arrived at, unsupported estimate to a carefully developed, researched, reasoned and documented opinion.

Stated generally "appraisal report" may mean anything from a one-sentence statement attesting to the fact that the appraiser has examined the property and that his opinion as of a given date is blank dollars, to the sort of report defined in "Appraisal Terminology & Handbook," a publication of the American Institute of Real Estate Appraisers—namely:

> "Appraisal Report—A formal written document which contains (a) the estimate of value, (b) the date at which the value is estimated, (c) the certification and signature of the appraiser, (d) the purpose of the appraisal, (e) the qualifying conditions, (f) an adequate description of the neighborhood and the property, (g) the factual data, (h) an analysis and interpretation of the data, (i) the processing of the data by one or more of the three approaches, and (j) other descriptive material (maps, plans, charts, photographs)."

Recognizing that there are no clearly dispositive criteria—and that there is some difference of view among appraisal practitioners as well as among buyers of appraisal services, this review of the reports under discussion is based on what the reviewer has observed to be good practice or reasonable and necessary—and, in fact, the sort of practice directly or inferentially required by those sophisticated entities which do particularize their requirements.

Further, the review is based on the assumption that regardless of fee amount/s and presence or absence of specific requirements, the appraisers were aware of the fact that the appraisals were to be used for price-determination purposes in connection with acquisition by a public agency which would resort to condemnation proceedings if acquisition could not be worked out on a voluntary basis.

This awareness should cause a knowledgeable practitioner to report in such a manner and to such an extent that a reviewer could

form an opinion as to whether relevant points likely to come up in a trial had been considered and reasonably dealt with.

(The definition previously quoted is a good, briefly stated *general* framework.)

Unless the appraisal deals with some distinctly atypical problem which calls for a departure from typical willing buyer/willing seller —market value concept (not so here), the appraisal should be strongly directed to the facts and factors the typical prudent buyer wants to know about and consider in his price-determination thinking.

Absent a contract-dictated format, the manner and order of presentation may vary almost infinitely. However, regardless of order and regardless of whether the facts prevailing and developed are considered and analyzed at the same point where they are reported, or are reported in one section—as a summary of facts devoid of the color of opinion—and then dealt with as they influenced opinion in another section of the report, certain things should be covered at some point.

The following outline of report content or coverage sets out those matters which typically should be covered somewhere, somehow, in the appraisal of properties such as those here dealt with. In the interest of clarity, it separates introductory material from those areas where opinion, interpretation and analysis (of the facts) come into play.

(This coverage is important. The order and subject titles are not.)

Introductory

1. Letter of transmittal
2. Certification of value
   (1 & 2 may well be combined)
3. Purpose of appraisal
   To establish market value followed by a definition of value.
4. Premises appraised
   Fully identified and located—preferably referring to (later) exhibits which show the property in plan and—as warranted—pictorially.

5. Exclusions/Omitted

   Statement of anything apparently present but omitted from consideration and value—for example, personal property or that of others on the premises.

6. Scope of the work

   A statement of what has been done and considered—may be omitted if clearly apparent elsewhere in the report.

7. References, Sources and Bases

   Exhibits such as maps, etc., relied upon or used in the development of the value.

   Sources of information relied upon.

8. Assumptions

   Any assumption/s upon which the value is premised and the basis or reason for adoption.

9. Limiting conditions and commitments

   Disclaimer of responsibility for title, erroneous information furnished to him, etc.

   Statement that no substantial reliance has been placed on anything not revealed in the report, or words to that effect.

   Commitment by appraiser not to reveal to others.

Factual

10. Nature of taking

    Fee or other less than total rights.
    Total or partial.

11. Size/Shape

    Area, frontages and other dimensions.

12. Physical Conditions

    Elevations, topography, soil characteristics, cover, water bodies or courses, drainage, etc.

13. Public improvements and utilities

    Whether available and, if so, where

    If absent, what are the alternates

14. On-Site installations

    Buildings and other—adequate description, age, condition

15. Municipal Controls

    Zoning—Category in which subject property lies along with, at least a brief statement of what is permitted, prohibited and required.

    Planning—Whether or not a Master Plan has been adopted and, if so, what it projects for the area in which the subject property lies.

16. Transportation

    Public transportation—available or not

    Relationship of subject property to highway, etc.

17. Use/occupancy/rental

    If any—detailed

    If not—so stated

18. Acquisition data (aka delineation of title)

    Facts of the acquisition by the present owner; date, grantor/s, recording data, consideration.

    Similar data respecting any other transfers of subject property within a reasonable time—typically 5 years.

19. Tax data

    Dollar tax bill subject property

20. Easements/Subjections

    If any

Opinionative

The report should deal with the *facts* relating to the subject property *previously enumerated*, stating how they influenced his opinion and should express some opinion or analysis respecting:

Location and Surroundings

Nature and extent of uses and development in the immediate area.

Comment concerning amenities usually sought by typical end users of the type of property appraised, i.e., schools, shopping, etc.

Growth of the area.

Social and economic conditions.

Tax climate.

Market activity, supply and demand.

Price trends.

Development or subdivision potential of the subject property.

Any out-of-the-ordinary external or internal conditions observed.

Highest and best use of the subject property.

Competitive position and marketability of the subject property.

Valuation

Having covered the facts and factors (other than market data—to this point), the report should cover the following—with some specificity:

Approach:

The approach/s selected and applied to the property or its component parts—and why.

Market Data Investigation:

Nature and scope (both geographically and chronologically) of the data investigation.

Specific Data:

Details of the transactions developed, used and relied upon. The details should include parties, date and consideration along with size, frontage/s, improvements and physical characteristics. Good craftsmanship usually calls for an outline sketch and a location map showing the location (of the comparable sale) in relation to the subject property.

Application of Data:

Process of relating the unit prices developed by these transactions to the estimation of the value of the subject property. This necessarily includes some discussion of differences (between the properties transferred and the subject property as of a given date) inherent in time of transfer, size, physical and locational characteristics, along with the adjustments

made for or the weight given the differences, atypical motivation, etc.

If the subject property has been hypothetically sectored or divided and different value units applied to different sectors, the reasoning should/must be stated.

Any recent transfers of the subject property must be discussed and related to the value opined. Unless there is something about such a transfer/s that it cannot be considered an open-market, arms-length deal, the value found should bear some reasonable relation to the transfer price.

Perhaps the best way to illustrate this point is to quote from a trier's decision in a tax case.

"* * * Certainly he entirely disregarded the sale of the subject property. His reasons for disregarding it may satisfy him, but they are not impressive. * * *"

"* * * This is the most persuasive evidence of value under the circumstances in this case. We accept it and find the true value of the subject property as of October 1, 1953 and October 1, 1959 to be $4,750,000.00." (The evidence was that the property had recently sold for $4,750,000).

"Weighing all the testimony offered on each side the single outstanding fact is the sale of the subject property for $4,750,000.00. Absolutely no credible proof was offered to show that this was not a bona fide sale reached in arms-length bargaining. * * *"

Going only to the matter of form and order, it is recognized that in the matters under review a number of properties in the same area were being appraised for the same client at the same time. Under these circumstances, there is nothing improper about dealing with those things which bear generally on all the properties in one, let us say, cover report and then particularizing in related subsections respecting each individual property.

The following comments are based on the material offered for review and are generally limited to the appraisal of the property of Oak Pond Associates.

INTERSTATE APPRAISAL CO.

Superficial perusal of the *Interstate* report would lead the reader to believe that all bases have been touched and that all germane facts and factors have been gathered and/or considered.

Closer scrutiny of the areas dealing with introductory, factual and general opinion suggests some comment.

—There is a certificate of value though it is not clearly as of any given date and leaves the reader to guess that it applies as of the date of the report.

—There is a statement of the purpose of the appraisal; however, no definition of market value used by the appraiser. This, coupled with the remark "..... is an ideal location for Stockton State College" (at page 1) raises a question as to whether the intent was to establish market value defined as being that sum, expressed in dollars, which a typical well-informed buyer, acting intelligently and voluntarily, would pay and which a typical well-informed seller, acting similarly, would accept, or stated differently, the highest price estimated in terms of money which a property will bring if exposed for sale in the open market, allowing a reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used.
The college had a special need and there could be a significant difference.

—The essentials of limiting conditions are covered. However there is no commitment not to reveal.

—Physical conditions are covered, except as to soil bearing qualities and water table—both of which could influence value.

—The only reference to potable water supply and sanitary sewer (sewage) disposal found in the report is with respect to the cabins and leaves the reader to guess whether or not these are the only means available.

—Use, insofar as buildings are concerned, appears to be covered. However, the report appears to be silent as to occupancy and rental.

Superficial review of the sales data and valuation treatment would again lead to the belief that all germane data had been gathered, soundly analyzed or interpreted and related to the

subject property. However, a more sophisticated review suggests otherwise. Some of the points (below) are more significant than others and than the omissions, etc. previously touched upon.

—The fact that a number of descriptive or opinionative matters are started on one page and continued several pages later, goes more to mechanics and readability than to substance. It raises the question of afterthought.

—The report indicates use of two approaches—a comparison/market data approach applied to land and a cost approach applied to buildings together with a site increment (because of cabin-site improvements) over and above base land value. The validity of this concept is a matter of judgment and could be hard to support if the highest and best use of the property is as set out (at page 8). Under such a use, cabins do not usually add to overall land value unless they would fit into such use. It may be the appraiser's opinion that they would be compatible. However he does not say so.

—Going to figures—unless this reviewer has lost his way in the report—the value of the cabins including "site increment" appears (at pages 10, 11 and 12) to be $15,500, $15,500 and $9,000 which totals $40,000, whereas the final value estimate (at page 14) adds—$66,500 for cabins and site only.

Quite apart from the question of merit of the approach and figures therein, this appears to be an (upward) error of $26,500.

—The transactions used as a basis for adjustment (by %s) to arrive at the indicated value of the subject property, and, perhaps even more so, the transactions set out (either in the report or in the market data supplement) but either not analyzed and compared, or dismissed in the report, call for special comment at this juncture—without field examination by this reviewer and based on material tendered for review.

Not Mentioned in Valuation Analyses

Sale #400 (Supplement)

4/24/69 Desiderio to Marrazzo at $260/acre

Once aware of this transaction—clearly so proximate in time and (apparently) physically, in the same town and zoning, so close in size and somewhat similar in physical characteristics

—good practice would call for analysis and discussion—to whatever end. All indications are that it should have been more meaningful than others analyzed, discussed and used.

It is worthy of note that no location sketch (which would alert a reviewer) is furnished in this case though furnished in certain others.

Sale #401 (Supplement)

10/25/68 Tanners Brook to Seaview at $220/acre

The failure to deal with this sale raises the same questions and warrants the same comments as in the case of Sale #400 (above) except that there is an added similarity in that sale #401 and the subject property both have frontage on the same road. As in #400, there is no location sketch.

Sale #403 (Supplement)

7/28/67 Gustin to DuPont at $400/acre

Is two Counties and over 25 miles away. It appeared to fill an atypical if not unique need of the purchaser, that is, as a source of water for an existing plant facility.

The purpose of its inclusion is not apparent. (It does have a related location sketch).

Reported But Dismissed

9/4/69 ..... to Oak Pond at $476/acre

THE SUBJECT PROPERTY plus additional land

A recent sale of the subject property should, in principle, be the most meaningful indication of value unless there are very compelling reasons for setting it aside. Those given are emphatically not compelling:

Cash payment does not distinguish it—that is what is presupposed in the value of the subject property unless the appraiser is using some different unrevealed definition.

Two of the thoughts expressed negate each other. One refers to a desire to unload. The other relates a year and a half of negotiations—which does not sound like a dumping operation. Another statement suggests that advanced age was a factor. This reviewer has no direct knowledge of the age of the

grantor principals. However, experience is that advanced age typically causes individuals to "shoot" for unrealistically high prices. In any event, if the property and the market were anywhere nearly as good as depicted in the appraisal, broker and prospective buyer activity, and probably counsel, would have given some inkling of minimum value.

The whole advanced age thought appears to stand on the assumption of seldom-found naivete.

The concluding dismissing phrase ("—considerably below the current market value") is not supported by the review to this point—nor by that which follows.

—Similar situations similarly handled have, in the past, provoked brittle comment from the bench to the effect that the appraiser's job is to interpret the data rather than to reject it because he doesn't agree with it.

Reported and Analyzed

"Sale" #402 Owner—J & M Land Co.

NOT a sale at all. It is a reported offering which is very different. Asking and getting are so different that offering prices simply have no probative value whatever. The same is true of the reported interest at $1,000/acre. This hoped-for "sale" really deserves no consideration or further comment but one cannot help but point out that if it did have any validity as an indicator of the value of the subject property, a $200/acre adjustment might well not cover the sewer vs. no sewer difference, and that the May 1969 alleged contract at $1,000/acre which is offered as support was not consummated. There is total silence as to what contingencies other than financing may have been involved. (There is a location sketch).

Sale #404 Smith to DuPont at $410/acre if 692 acres

6/14/67 at $435/acre if 650 acres

Warrants the same comments as earlier applied to Sale #403. (It does have a related location sketch).

"Sale" #405

Contract 1/70 Rohrer to ..... at $600/acre

Apparently not a sale as that word is usually used but rather, at least at the time of appraisal, an unconsummated agreement at best. The failure to report the name of the buyer suggests less than solid information. Without going further, testimony regarding this so-called sale would hardly be admissible as evidence, and it seems an extremely shaky foundation for a value estimate—since it could fail of consummation as did the alleged May 1969 contract in the case of "Sale" #402 above. (There is a location sketch).

The total content of the report and supplement, particularly as it relates to data handling and interpretation, leads this reviewer to the conclusion that the data, which on the face of the report has been given prime reliance, is clearly less relevant to the problem than other data known to the appraiser and, in fact, set out in the report and supplement.

The appraiser has elected to deal with the property in bulk—by applying one overall dollar per acre unit of value to the entire appraised holding of Oak Pond—despite the fact that the holdings appear to be divided (by public roads) into 4 non-contiguous parcels with quite some parcel-to-parcel differences in characteristics. This bulk or overall treatment, in turn, is based, in part, on the fact that "this site has been transferred in that manner." This is a matter of opinion. However, had the appraiser leaned heavily (or at all) value-wise on that transfer instead of dismissing it totally, this treatment would be more convincing.

Under the circumstances, the bulk treatment, per se, is not objectionable. However, at least some discussion of relative values of the four non-contiguous parcels and how the related worth of these parcels influenced the selection of the overall unit would be in order.

Likewise, some discussion of the extent (area) of the pond (which appears to have been considered as area in the application of the overall unit) and the way in which the existence of that pond influenced the valuation thinking would be in order.

CONCLUSIONS

The principal conclusions drawn from the review of the material submitted are that:

1. The Interstate Appraisal Co. report is less than desirably informative in certain respects.
2. The opinion of value is not supported by the data given prime reliance in the report.
3. Proper handling of data known to the appraiser should have resulted in a different and significantly lower value.

ATLANTIC APPRAISERS

The work of *Atlantic* tendered for review is not a single report covering the total appraised lands of Oak Pond, but rather a total of 24 documents which fall into 3 categories, as follows:

A 20 individually bound land value reports dealing with the appraised Oak Pond holdings as 20 parcels.

B 3 individually bound building value reports dealing with the buildings on 3 of the above-cited parcels.

C 1 slip-type cover identified on the title page as "Physical Description Index" containing loose miscellaneous material apparently in part directed to the combined Oak Pond Associates parcels dealt with in the above-mentioned 23 individual reports.

In this review, the loose appraiser's letterhead page therein entitled "Oak Pond Associates Appraised Values" and concluding with "Final Total" (of $485,788.44 which is $44,167.22 in excess of the totals shown in all the individual reports) is assumed to reflect Atlantic's value of the appraised Oak Pond holdings. (It agrees with the totals of the individual reports except in that it adds an assemblage value).

Nineteen of the A category (land) reports are on identical forms and report the same (4) sales considered, the same neighborhood data, and general data, etc. In fact, the only significant differences from one report to another are those peculiar to the limited description of the individual properties and the limited valuation treatment.

Under these circumstances, there appears to be little reason for going into detail respecting each one except as respects valuation treatment in certain instances.

The same general proposition applies to the three B category (building) reports.

The C category (summary, etc.) does warrant individual discussion because, in one stroke, it adds 10% to all other values combined.

Even the most rapid and generously-minded perusal of the Atlantic work reveals certain omissions, less than reasonably thorough treatment and hard questions concerning the very valuation analyses and application.

In the areas of introductory, factual and general opinion matters, the following comments seem warranted:

—The purpose of the appraisal should be to determine market value under typical circumstances, and not such as to leave any question as to whether value opinion is slanted toward college use.

—The appraised premises are located in narrative fashion and there are plot sketches of sorts; however, the sketches are typically devoid of compass orientation and are like free-standing parts of a jig saw puzzle. Hence, they furnish no basis for "seeing" the individual parcels appraised as part of or in relation to Oak Pond's other holdings. Absent an overall (all parcels) map or sketch, the parcels appear non-contiguous—which they are not. The only clue to contiguity may lie in such hazy references as "These two lots do not front on any streets. Ownership results in their not being landlocked." (Re: Lot 11 & 12 Block 911.)

—Exclusions/omitted items are not touched upon except roundaboutly in the case of those 3 separate parcels* (the separation having been made by the appraiser) where the buildings are not valued as the property of Oak Pond but separately valued as being owned by others.

*(Lot 7 Block 907)

(Lot 15 Block 907)

(Lot 16 Block 907)

The separate ownership concept is distinctly atypical.

—Scope of the work is neither covered in outline nor at all apparent in reading of the reports.

—The reports are totally devoid of any indication of what maps and other data (except sales) have been relied on, and there is total silence about sources of that scant information which is furnished.

—Typically, the descriptions and characteristcis of the separate parcels lack such details as dimensions and physical conditions. Where descriptive comments might be expected to appear (under heading "Description of Entire Property"), one finds "SEE DEED, PLOT PLAN AND PHYSICAL DESCRIPTION INDEX" or the like. (The "Physical Index" in the material reviewed is a legal description of the total holdings of Oak Pond).

In one case (Lots 8-9-10-14-11-12-13 Block 907) there is this comment: "The major portion of lots 11 and 12 are under water while lots 14 and 13 are partially under water resulting from Man-Made Lake." However, nowhere is there any discussion of the positive or negative effects of this water body. Likewise, the data reported and apparently relied upon in the value-determination is barren of any transactions involving property/s with lake frontage which might support the lake front values applied.

Soil conditions and water table are not mentioned (or discussed).

—The implications of municipal controls are not discussed.

—Rentals, if any, are not mentioned.

—An extremely significant omission is that having to do with acquisition data.

This is sometimes referred to as "Delineation of Title" and typically calls for at least a 5 year history of transactions—giving parties, dates, book and page of recording as well as consideration.

The appraiser's qualifications stated in the reports include "..... Appraisers For ..... State of New Jersey Agencies ..... Department of Transportation".

That named agency routinely requires full responses to this question; hence the appraiser might be assumed to know the meaning and understand the import. Yet, where that heading (Title Delineation .... Yrs.) appears in the appraiser's own form, the response is "Not pertinent". Later comment herein will to go the fact that it is pertinent.

The opinionative treatment of facts, added background material and discussion or analyses of various factors influencing value, usual to a condemnation-oriented report, are so largely lacking or so faintly touched upon as to require no expansion of this subject by this reviewer.

A cursory look at the reports tendered to this reviewer suffices to convey the impression, on the face of the reports, that the treatment of sales data and valuation thinking is shallow, at best, and that the data does not, let us say, approach optimum relevancy. A more careful review solidly confirms this thinking.

—The approach to value, though not so stated, appears to be by comparison—of some sort—though no analyses or discussions appear.

—Some data appears—in the nature of some six sales—four of which are apparently relied on in every Oak Pond parcel report except one, despite the differences in the parcels as the appraiser divides them and regardless of the unit deduced therefrom, as well as regardless of whether the application be by the acre, by the front foot (of lake frontage), by the parcel or just "various".

The "various" refers to sub-sectoring of the already divided parcels and to the application of various units of value to sectors within the divided parcels sometimes coupled with the further application of unexplained percentages to values otherwise opined.

This process has several faults:

It is unrealistic and un-buyerlike thinking.

It is cumbersome.

While it can be followed (at least as to arithmetic) by working backward throughout, it is unsupported and probably unsupportable.

—There is no stated indication of nature and scope of the data examination, and hence no way to determine what the appraiser set out to find. (Usual good practice is to indicate what time period and what geographical area/s the appraiser set out to cover along with the range of characteristics inherent in the property involved in transfers which would qualify or disqualify the transfers, in his opinion, as indicators of value).

—The sales listed under "Sales Considered," presumably considered in the making of the Oak Pond appraisals, seem to this reviewer to lack relevancy, particularly when applied repetitiously to all but one Oak Pond parcel as divided by the appraiser. The lack of relevancy becomes more glaring when one realizes that the appraised holdings of Oak Pond (as indicated on an August 1969 survey by Thomas J. Wood, Jr. which is not part of the Atlantic reports) appear to embrace four undivided parcels sized roughly as follows: 13 acres, 39 acres, 236 acres and 295 acres.

—The hypothetical or arbitrary division of the appraised holdings lays the groundwork for a process ultimately followed in the summary which, on the one hand, gives the hypothetically divided individual parcels the benefit of a subdivision or sectoring which neither exists nor appears to have a basis in logic and, on the other land, totals up the value of the individual appraiser-divided parcels and then adds a plottage value of 10%.

This deliberate process of dividing then adding back together along with a benefit for restoring them to what they were before the arbitrary division appears to be unsupported by anything dealt with in the reports, and to result in adding value at each of the two steps.

—The data under "Sales Considered" in the Oak Pond material tendered leaves much to be desired apart from its application. The individual properties transferred are not described (nor sketched) in any way except by area or—in one case—dimensions from which one might deduce the area if the configuration of the parcel is as indicated (the tax maps indicate slightly differently). The only comment relating these properties to the subject property are distances from it and these distances, on their face, generally do not relate to the parcels

as divided by the appraiser or—in some cases—to the whole group of Oak Pond holdings.

—The sales reported repetitiously in all but one (Block 971 Lot 11, 12) Oak Pond appraisal appear to range from 3.64 acres to 10 acres in size and from $550 per acre to $1,080 per acre in price. They are apparently the base for appraised unit values to be applied to parcels (as divided by the appraiser) ranging from 0.5 acre to 177.87 acres. Apart from the question of non-comparability in terms of size (and other respects), the same appraiser in other (non-Oak Pond) appraisals tendered the reviewer does report certain lower-priced sales which apparently he deems unfit for consideration respecting Oak Pond's appraised holdings. Examples follow:

$307/acre

(indicated) for 44.25 acres in appraisal of Lot—Pt. 1, 4, 5 Block 667

$133/acre for 15 acres in appraisal of Lot—Pt. 1, 4, 5 Block 667

$338/acre for 2.66 acres in appraisal of Lot—7, Block 669

$375/acre for 2.4 acres in appraisal of Lot—1, 2, 3 Block 670

(The dollar per acre figures in the four foregoing sales are not spelled out in the reports just cited. They are the reviewer's rough calculations derived from the there-reported facts).

Routine review by the buyer of these appraisal services should raise a question as to why these four immediately foregoing sales were not reported and considered in the Oak Pond work.

—In terms of size, certain sales reported as considered in at least two non-Oak Pond cases, follow a pattern very different from that followed in the Oak Pond reports.

Examples are the use of the main Oak Pond purchase of the subject property (reported as 560 acres) in the appraisal of a 5.5 acre parcel (Lot 7, Block 669)

and

the use of the main Oak Pond purchase of the subject property (reported as 590 acres) in the appraisal of a 19 acre parcel (Lot 4, Block 670).

This reversal of reasoning should raise questions in the mind of the buyer of the appraisal services, as it does in the mind of this reviewer.

—The appraiser has either failed to find or elected to omit any reference to at least two sales which are quite proximate, chronologically and geographically, and which involve properties which have far more in common with the Oak Pond holdings than those sales reported and used repeately in 19 of the 20 individual reports. These two sales are:

4/24/69 Desiderio to Marrazzo at $260/acre

This sale involved 505 acres of land in the same municipality relatively close by (on the opposite side of the Garden State Parkway, roughly 1 mile to the east of the Oak Pond holdings), with something like 4,500′ of frontage along Collins Rd., a paved roadway, and similar zoning.

10/25/68 Tanners Brook to Seaview at $220/acre

This sale involved 385 acres of land in the same municipality roughly 3 miles to the east with 500′ of frontage on Jimmy Leeds Rd. (which the Oak Pond holdings also front on) and 100′ of frontage on Route 9, and similar zoning.

All comments concerning these sales are based on the totality of material submitted for review.

—On the matter of the appraiser's consideration of the price paid for a property being appraised, it is a fact worth noting that in at least one non-Oak Pond appraisal (Lot—Pt. 1, 4, 5 Block 667) the same appraiser thought enough of the price paid by the owner (in 1963) to report it, include a copy of the deed and to not only discuss the price paid in 1963 but to relate it to 1970 value. Yet he did not report or discuss, but instead dismissed as "not pertinent"—the sale of the bulk of the subject property a very few months before the appraisal.

This rank inconsistency in the treatment of prior transfer/s accorded one owner's property as opposed to another's, clearly calls for clarification of the rationale—if there is any.

—A departure from the pattern evident in other Oak Pond appraisals appears in the appraiser's parcel Block 971 Lot 11, 12. In every other Oak Pond appraisal, the purchase of this property by Oak Pond was reported as a sale considered, yet in the appraisal of this parcel, its purchase is not mentioned and is apparently dismissed by the insertion of "not pertinent" under "Title Delineation." (This was a minor purchase by Oak Pond—about 9 acres).

If the appraiser had a reason for judging this sale inappropriate to the very parcel purchased despite its applicability to 19 other less comparable divided parcels, it is not evident.

Clearly, some explanation is called for.

—Oak Pond acquired the bulk of the holdings appraised in a transfer by deed dated September 4, 1969 and recorded on September 8, 1969 (in Book 2489 at page 30, et seq.) for a deed-stated consideration of $286,250. This transfer appears to have included slightly more area than the holdings appraised. Specifically, it appears to have embraced about 612 acres, which works out to about $460 per acre including three cabins thereon. (It did not include the lands referred to in the last three paragraphs on page 22 hereof).

Atlantic does not mention this transfer anywhere in the Oak Pond reports though it did mention it (somewhat misstated) in non-Oak Pond reports. It appears to dismiss it by the words "not pertinent"—without any shred of reason or basis for so doing. It then proceeds to place a combined value of $485,788.84 which works out to $797.66* per acre including the cabins on the Oak Pond appraised holdings.

* Based on Atlantic's value of $485,788.84 divided by Atlantic's area of 609.02 acres.

Under these circumstances, the dismissal of this normally prime and cardinal indicator of value should constitute grounds for refusal to accept the reports and/or adopt the value conclusion/s.

The general reasoning behind this reviewer's thinking has been set out in preliminary remarks.

CONCLUSIONS

The total spectrum of omissions, inconsistencies, logic-lacking mechanics and unsupported value opinions force this reviewer to the conclusion that these reports, individually and/or collectively, do not meet or approach reasonable and acceptable standards.

The Atlantic Appraisers-Oak Pond material submitted, in and of itself (that is, without reference to data in any other reports or

without the reviewer carrying out the actual appraisal process), are not sufficiently informative to form a basis for any conclusion as to the reasonableness of the value/s reported.

If one goes beyond the Atlantic-Oak Pond material submitted and into the other Atlantic (non-Oak Pond) reports reviewed, there is reason to believe that the Oak Pond value/s might well be lower.

Such thinking would be based, in part, on the reference to the principal Oak Pond 1969 purchase which appears in the reports on Block 669 Lot 7 and Block 670 Lot 4 where that transaction is sketchily set out and referred to as involving, in the first instance, 560 acres and in the second 590 acres. The scant information in these two non-Oak Pond reports, where different facts appear respecting the same transaction, does not form a solid basis, but does strongly suggest that the Oak Pond values reported exceed the value of the apraised Oak Pond holdings.

If one goes beyond the entirety of the Atlantic material submitted and bases one's thinking on all of the seemingly correct and relevant data among all of the material submitted—the conclusion must be that Atlantic's values are substantially in excess of the reasonable value of the Oak Pond holdings appraised by Atlantic.

APPENDIX C

Opinion by the Commission's Legal Staff Relative to Possible Condemnation Proceedings For Stockton College Land

N. J. S. A. 18A:64–6 provides in pertinent part:

The board of trustees of a state college shall, within the general policies and guidelines set by the board of higher education, have general supervision over and shall be vested with the conduct of the college. It shall, within the general policies and guidelines set by the board of higher education, have the power and duties to:

k. Subject to the provisions of P. L. 1954, Chapter 48, purchase lands, buildings, equipment, materials and supplies; employ architects, engineers and other persons desired in the planning of buildings, equipment and facilities; secure bids, enter into contracts for and supervise the construction of such buildings, equipment and facilities;

l. If necessary, take and condemn land and other property in the manner provided by Chapter 1 of Title 20, Eminent Domain, of the Revised Statutes, whenever authorized by law to purchase land and other property.

m. Adopt, after consultation with the president and faculty, bylaws and make and promulgate such rules, regulations and orders, not inconsistent with the provisions of this article that are necessary and proper for the administration and operation of the college and the carrying out of its purpose.

These provisions allow state colleges to take private property for State College use under the same guidelines that other State agencies or subdivisions use for that purpose, including by private agreement (subsection k; above) or by condemnation proceedings (subsection 1; above).

The procedures employed by the State of New Jersey or any political subdivision thereof having the power to take land or property for public use are found in N. J. S. A. 20:1–1 et seq. Subsection 1 of Chapter 1 (N. J. S. A. 20:1–1) provides for the ascertaining of compensation for property to be condemned in the

event the condemning political body and the owner of the property can not come to agreement as to the value of said property.

Subsection 2 of Chapter 1 (N. J. S. A. 20:1–2) provides for the institution of an action by the condemnor in the Superior Court for the appointment of three commissioners to fix the compensation to be paid for the taking of the property. Subsection 3.4 (N. J. S. A. 20:1–3.4) provides for the payment of the amount of compensation (as determined by the commissioners or by final judgment) out of a fund paid into the court to the interested parties to the proceeding. Subsection 6 (N. J. S. A. 20:1–6) provides for the appointment of commissioners and for notice of the hearing to the interested parties. The three commissioners "shall be disinterested freeholders, residents of the county where the land or property is situate . . .,". Subsection 9 (N. J. S. A. 20:1–9) commands the commissioners to take an oath of faithfulness and impartiality.

As far as the actual taking of the property by the plaintiff is concerned, subsection 12 (N. J. S. A. 20:1–12) provides for such taking "upon the filing of the report of the commissioners, and upon payment to the parties entitled thereto or into court, of the amount awarded . . ." An alternative mode of entering into possession of condemned property is provided in subsection 29 (N. J. S. A. 20:1–29) which states:

Nothing in this chapter shall limit or restrict any right which has been or may be granted to any municipal corporation, or to the state, or to the authorities of the county or to any other of the public agencies of the state to enter upon and take property in advance of making compensation therefor.

This subsection has been construed by the New Jersey Supreme Court as allowing the State to enter into possession *prior* to payment for the lands taken. *Abbot v. Beth Israel Cemetery Association of Woodbridge,* 13 N. J. 528, 549-551 (1953). It thus appears that Stockton College could have instituted condemnation proceedings for the lands it desired and entered into possession of them in advance of actual payment to the defendants.