OCEAN CITY FAIRNESS IN TAXES
KLAUSE PROPERTY FACT SHEET AND TIMELINE
(UPDATED DECEMBER 20, 2019)

EXECUTIVE SUMMARY

In 2018, Mayor Jay Gillian agreed to purchase the Klause Enterprises property (commonly referred to as the "old car dealership" property) for a non-negotiable 9.0 million dollars. The city secured three (3) property appraisals which supported the non-negotiable price of 9.0 million dollars based upon a non-permitted use of the property which was the development of coastal cottages. The city had revoked the law which permitted the construction of coastal cottages in June, 2016. Klause Enterprises claimed that they had a court order to construct twenty nine (29) coastal cottages at the site along with the necessary permits and approvals to start actual construction at any time. **They had NONE of these documents.**

In response to the city agreeing to pay an inflated price for the property, Ocean City Fairness in Taxes (FIT) started a petition drive to place the decision to purchase the property for 9.0 million dollars on the ballot for the voters to decide. The petition drive was successful and eventually the city withdrew their offer to purchase the property for 9.0 million dollars in November, 2018. Since that time, the city has stated numerous times that they are negotiating with Klause Enterprises to purchase the property. As part of New Jersey condemnation process, the city made their last and best offer (14 day notice) to purchase the property in a correspondence dated October, 4, 2019, for $6,545,000.00. This value was based on the higher of two (2) property appraisals based on the permitted and allowed use of developing single family homes on the site. Details regarding comparison of the original offer to the new offer to purchase is presented below. **Please note besides the drastic decrease in price, additional land was acquired plus the demolition of the car dealership building, all for the reduced price of $6,545,000.00.**

ORIGINAL OFFER – SEPTEMBER, 2018

Based on public statements from city officials and Klause Enterprises representatives, there was a non-negotiable offer of nine million dollars ($9,000,000) to purchase the following four (4) parcels of property consisting of **1.855 acres**:

BLOCK 1606, LOTS 2, 3.01, 4 and 6. **(ATTACHMENT "A")**

In addition, the purchase price **DID NOT** include any site improvements, like demolition of existing building, valued at $100,000. **(ATTACHMENT "B")**

REVISED OFFER – OCTOBER 4, 2019

Based on correspondence from the city's Special Condemnation Counsel (Michael Ash), the city offered to purchase five (5) parcels of land at a cost of $6,545,000.00. The five (5) parcels of land, totaling **1.967 acres that** are being purchased are as follows: **(ATTACHMENT "C")**

BLOCK 1606, LOTS 2, 3.01, 4, 5 and 6 (LOT 5 is old Palermo Property 1640 Haven Avenue purchased by Klause/Martin Prince in February 2019)

This offer assumes that the site is ready for development and the demolition of all existing structures is completed. In other words, vacant land. So Klause Enterprises is responsible for the demolition of the old car dealership building and not the taxpayers of Ocean City. Cost of demolition is approximately $100,000

CONCLUSION

As a result of the successful petition drive, Ocean City Fairness in Taxes (FIT) was able to save the taxpayers of Ocean City in excess of 2.5 million dollars while securing an additional parcel of land and having Klause Enterprises being responsible for the demolition of the building. While this validates the petition drive and the position of FIT that the city was paying an inflated price for the property, this represents a huge victory for the Ocean City taxpayer and proof that you can fight City Hall and WIN.

ESTIMATED COST SAVINGS AS A RESULT OF FIT PETITION DRIVE

Original Offer ..... $9,000,000.00 (1.855 Acres)

Revised Offer ..... $6,545,000.00 (1.967 Acres)

Difference $2,455,000.00

Add: Demolition Cost .. $ 100,000.00

Estimated Savings $2,555,000.00

Actual Street Addresses of Block 1606

Lot 2 – 1601-1643 Simpson Avenue

Lot 3.01 – 1620 Haven Avenue

Lot 4 – 1628-1638 Haven Avenue

Lot 6 – 1644-46 Haven Avenue

Lot 5 – 1640 Haven Avenue (added to revised offer)

ATTACHMENT "A"

REAL ESTATE CONTRACT OF SALE

THIS REAL ESTATE CONTRACT OF SALE (the "Contract") is made this 29th day of May 2018 by and between **Klause Enterprises, a New Jersey General Partnership** (the "SELLER") and **City of Ocean City** (the "BUYER").

Background

4 PARCELS OF LAND

The SELLER owns real property shown as **Lots 2, 3.01, 4 and 6** in **Block 1606** on the tax map of the City of Ocean City, Cape May County, New Jersey, otherwise known as **1601-43 Simpson Avenue, 1620 Haven Avenue, 1628-38 Haven Avenue and 1644-46 Haven Avenue** (the "Property"). The SELLER desires to sell, and the BUYER desires to purchase, the Property, together with all property rights appurtenant thereto, subject to the following terms and conditions.

1.85 5 ACRES

1. **Incorporation of "Background".** All of the "***Background***" is hereby incorporated into this Contract by reference.

2. **Property.** The Property is shown as **Lots 2, 3.01, 4 and 6** in **Block 1606** on the tax map of the City of Ocean City, Cape May County, New Jersey, and is otherwise known as **1601-43 Simpson Avenue, 1620 Haven Avenue, 1628-38 Haven Avenue and 1644-46 Haven Avenue.**

SALES PRICE $9.0 MILLION

3. **Purchase Price; Terms of Payment; No Financing Contingency.**

(a) **Purchase Price.** The purchase price for the Property is NINE MILLION DOLLARS ($9,000,000).

(b) **Method of Payment.** The Purchase Price (subject to adjustments as set forth in Paragraph 7 of this Contract) shall be paid in by bank check or wire in installments as follows:

i. $9,000,000 shall be paid at closing

Subject Demolition and Site Improvement Cost Estimates

AMERICAN DEMOLITION CORP.

April 12, 2019

ATTN: Mr. Harry Klause
609-391-0051

VIA EMAIL: OCCarsNJ@gmail,com

RE: CONTRACT FOR DEMOLITION @ 1601 Simpson Ave, Ocean City, NJ

This agreement between HARRY KLAUSE and AMERICAN DEMOLITION CORPORATION states that HARRY KLAUSE agrees to the terms set forth by AMERICAN DEMOLITION CORPORATION. In agreement AMERICAN DEMOLITION CORPORATION agrees to complete the following:

SCOPE OF WORK:

1. Obtain all required releases from appropriate utility authorities (unforeseen disconnect fees to be paid for by owner).
2. Cape Atlantic Soil, if applicable, to be prepared and paid for by owner.
3. Obtain list of required properties to be notified prior to demolition and send certified notifications for demolition/pile driving. (I.E. neighbor notifications and police route, if applicable)
4. Schedule extermination prior to demolition as per city's requirements, if applicable.
5. This contract does not include any environmental work. (I.E. underground tanks and/or asbestos sampling, testing, removal or notifications, if applicable.) Asbestos removal & disposal by others, if applicable. Did not see any visible during my site walk-through. If encountered during demolition it will remove at an additional cost.
6. Apply and obtain for demolition permit.
7. Mobilize all needed equipment to site.
8. Supply professional, uniformed and trained manpower to complete all work in a safe manner and in the quickest time frame possible.
9. Complete demolition and removal of commercial building (former car dealership).
10. Complete removal and disposal of all concrete footings and foundations.
11. Removal and disposal of all onsite asphalt parking, curbing, concrete bases and light posts.
12. Demo area will be graded upon completion. (If fill is needed it will be supplied at $300 per load. Grading free)
13. This contract includes demolition liability insurance coverage. Liability insurance certificate available upon request.
14. American Demolition has all salvage rights. (I.E. metal, aluminum, steel, copper)

AT LEAST $9.0 MILLION

TOTAL CONTRACT PRICE $100,000.00

PAYMENT TERMS:
$25,000.00...(Twenty Five Thousand Dollars)...Due upon acceptance of contract.
$25,000.00...(Twenty Five Thousand Dollars)...Due when building is down.
$50,000.00...(Fifty Thousand Dollars)...Due upon contract completion.

ACCEPTANCE OF CONTRACT:

Harry Klause: Date: 4/24/19

Bernard Styer, President:
AMERICAN DEMOLITION CORP. Date:

2 ENGLISH LANE, EGG HARBOR TOWNSHIP, NJ 08234 • PHONE 609-926-7373 • FAX 609-653-8779

ATTACHMENT "C"

CARLIN & WARD
ATTORNEYS AT LAW
A PROFESSIONAL CORPORATION

25B VREELAND ROAD
P.O. BOX 751
FLORHAM PARK, NEW JERSEY 07932

973-377-3350
FAX: 973-377-5626
WEBSITE: www.carlinward.com

October 4, 2019

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED
AND FIRST CLASS MAIL
Klause Enterprises
P.O. Box 398
Somers Point, New Jersey 08244

RE: OFFER TO PURCHASE PROPERTY
1601-43 Simpson Avenue
Block 1606, Lots 2, 3.01, 4, 5 and 6
Ocean City, Cape May County, New Jersey

5 PARCELS OF LAND
1.967 ACRES

To Whom It May Concern:

Please be advised that I serve as Special Condemnation Counsel to the City of Ocean City (the "City"). In accordance with N.J.S.A. 40:48-2, N.J.S.A. 40:61-1, et seq., N.J.S.A. 40A:12-1 et seq. and N.J.S.A. 20:3-1 et seq., the City has, by Ordinance, ordained to acquire the above referenced property for the preservation of open space. Specifically, the City has determined to acquire Block 1606, Lots 2, 3.01, 4, 5 and 6 in fee simple, which property is commonly known as 1601-43 Simpson Avenue, Ocean City, New Jersey (the "Property"). If we are unable to reach a negotiated agreement the City will proceed to acquire the Property by condemnation pursuant to N.J.S.A. 20:3-1 et seq.

The City has had the Property appraised by Anthony Graziano, MAI, CRE of Integra Realty Resources, Coastal New Jersey as of August 9, 2019 in the amount of $6,000,000.00. A copy of the Integra Report is enclosed.

The City also had the Property appraised by William J. Sapio, MAI of Northstar Appraisal Company as of September 11, 2019 in the amount of $6,545,000.00. A copy of the Northstar Report is also enclosed.

NEW PRICE

The City is required, pursuant to the applicable, to make an offer to purchase the Property at its fair market value. By law, the fair market value is the prices of the Property that would be voluntarily reached as the result of arms-length negotiations between a buyer and seller.

Accordingly, please be advised that the City hereby offers you the sum of Six Million Five Hundred Forty-Five Thousand ($6,545,000.00) Dollars, based on the approved Northstar Appraisal. This report explains the valuation procedure and sets forth the comparable sales data and other information used to conduct the appraisal, as well as the description of the interest to be acquired. The above offer is the full amount the City believes is the just compensation for the property interest involved and is not less than the fair market value of the Property as determined on the basis of the approved appraisal.

This offer is subject to an environmental reservation, whereby the City reserves the right to amend this offer, upon receipt of any information related to the presence of environmental contamination on the Property and the cost of any remedial investigation and remediation, if any is required. The City is also prepared to negotiate with you on the issue of responsibility to conduct and pay for environmental remediation of the Property, if any is required, or, in the alternative, to bring an action at law to recover the costs of any environmental remediation.

Please be further advised that pursuant to N.J.S.A. 20:3-6, you are hereby given fourteen (14) days from the date of this letter to either accept or reject the City's offer for the acquisition of the Property. We prefer to acquire the Property by mutually acceptable agreement. If we are unable to reach a negotiated agreement, the City will proceed to acquire the Property by condemnation pursuant to N.J.S.A. 20:3-1 et seq. You may respond directly to me at the following address: Michael J. Ash, Esq., Carlin & Ward, P.C., 25B Vreeland Road, Suite 203, Florham Park, NJ 07932.

I trust that the foregoing offer will be acceptable. In the event that the City receives no response to this offer within fourteen (days) of the date of this letter, we will assume that settlement by agreement cannot be reached and condemnation proceedings will, as a matter of necessity, be instituted.

Very truly yours,

CARLIN & WARD, P.C.

By: _____
Michael J. Ash

Enclosure – IRR Appraisal
Northstar Appraisal

cc: Avery S. Teitler, Esq. (w/ encl. via email: ateitler@teitlerlaw.com and first class mail)
Dorothy F. McCrosson, Esq. (w/ encl. via email: DMcCrosson@OCNJ.US and first class mail)