

GAO

Briefing Report to the Honorable
Jim Courter, House of Representatives

October 1986

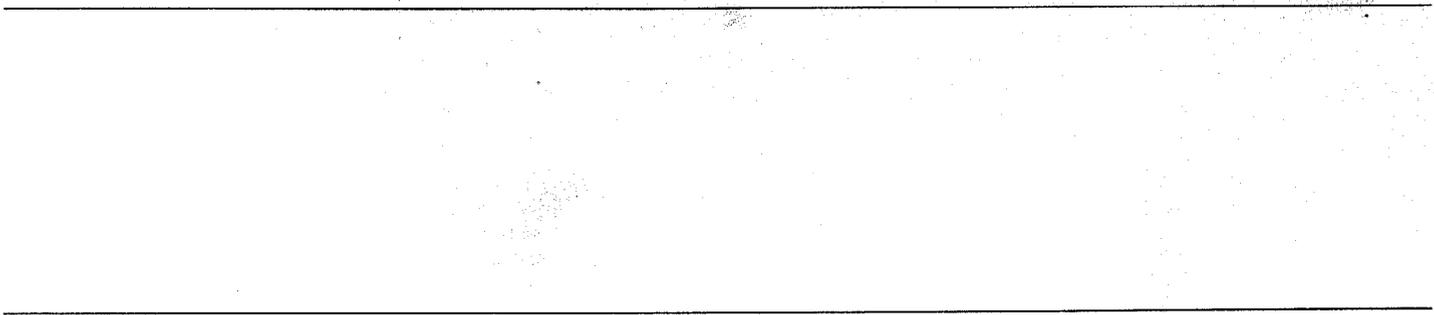
PARKS AND RECREATION

Concerns Raised About National Park Service Actions at Delaware Water Gap



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Philadelphia Regional Office

841 Chestnut Street, Suite 760
Philadelphia, PA 19107

B-221431

October 28, 1986

The Honorable Jim Courter
House of Representatives

Dear Mr. Courter:

This briefing report responds to your request of April 18, 1986, that we look into concerns raised about National Park Service actions at the Delaware Water Gap National Recreation Area. It summarizes our review of three issues that we briefed your staff on last July 25 regarding the:

- Award of a lease for the Copper Mine Inn.
- Closing of a campground operated by Mr. Donald Von Hagen.
- Recent increase in Mr. Von Hagen's house rent.

We conducted our investigation during June and July 1986 at the Delaware Water Gap National Recreation Area, located in Pennsylvania and New Jersey and headquartered in Bushkill, Pennsylvania; the National Park Service Mid-Atlantic Regional Office in Philadelphia, Pennsylvania; and the Office of Inspector General, Department of the Interior, in Washington, D.C. As requested, we also interviewed Messrs. Donald Von Hagen, Alan Ahtel, and Kenneth Hampton. A more detailed discussion of our objectives, scope, and methodology is found in section 1.

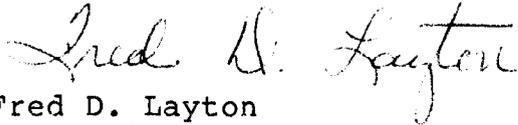
In summary, we found that the National Park Service followed Department of the Interior regulations, policies, and guidelines in soliciting and reviewing proposals and determining that Shawnee Inn was the successful bidder in the lease of the Copper Mine Inn. In addition, the National Park Service's decision to close the commercial campground operated by Mr. Von Hagen is consistent with the general management planning process which dates back to 1978. Finally, Mr. Von Hagen's rent, which became effective on November 1, 1985, represents the fair market rental rate established by an independent appraiser. The appraiser used the same methodology in establishing the monthly fair market rental values for all 21 residential

properties owned by the National Park Service on the New Jersey side of the Recreation Area. In all cases, rents and rent reductions recommended by the independent appraiser were accepted by the National Park Service.

As agreed with your office, we are also providing copies of this briefing report to the Department of the Interior, the National Park Service Mid-Atlantic Regional Office, and other interested parties. We will make copies available to others upon request.

If you would like to discuss the contents of this briefing report further or have any comments, please call me on (215)597-4330.

Sincerely yours,

A handwritten signature in cursive script that reads "Fred D. Layton". The signature is written in dark ink and is positioned above the typed name.

Fred D. Layton
Regional Manager
Philadelphia Regional Office

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ABBREVIATIONS

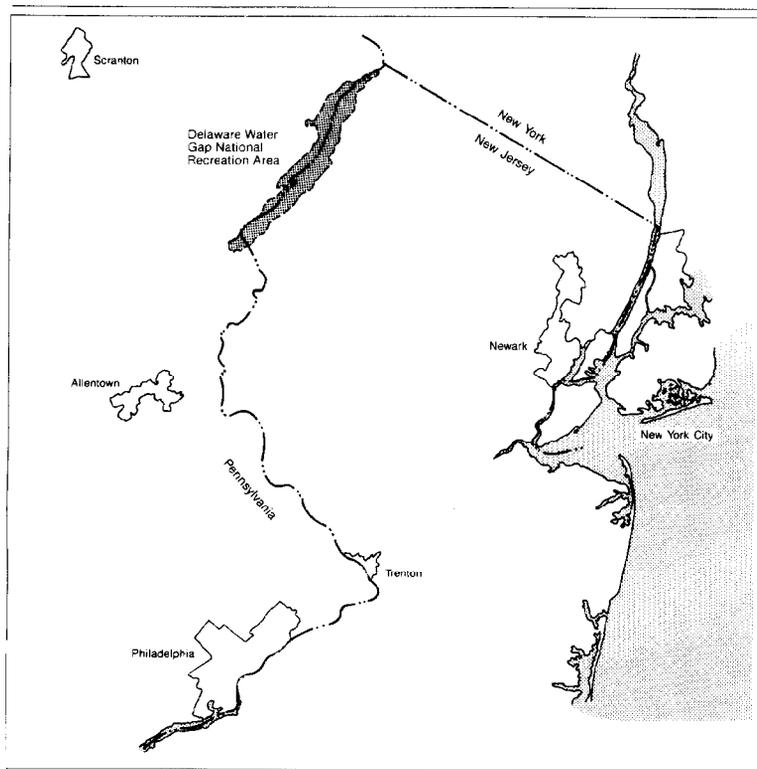
GAO	General Accounting Office
NPS	National Park Service
RFP	request for proposal

SECTION 1

INTRODUCTION

The Delaware Water Gap National Recreation Area covers approximately 70,000 acres--52,700 of which are federally owned--along a 35-mile section of the Delaware River. The area includes portions of Monroe, Northampton, and Pike counties in northeastern Pennsylvania, and Sussex and Warren counties in northwestern New Jersey. Recreational opportunities offered include hiking, swimming, fishing, hunting, and boating. Figure 1.1 shows the Recreation Area's location in relation to surrounding urban and metropolitan areas.

Figure 1.1
Delaware Water Gap National Recreation Area



The Recreation Area was established on September 1, 1965, by Public Law 89-158 to provide ". . . for public outdoor recreation use and enjoyment of the proposed Tocks Island Reservoir and lands adjacent thereto . . . and for preservation of the scenic, scientific, and historic features contributing to public enjoyment of such lands and waters. . . ."

The act assumed that the U.S. Army Corps of Engineers (Corps) would build and manage the Tocks Island Reservoir and

that the surrounding lands would be administered by the National Park Service (NPS) as a recreation area focusing on the array of recreational activities made possible by the reservoir. However, the Congress has not appropriated funds to construct the reservoir because of environmental concerns.

The Tocks Island project has been placed in reserve for development if needed for water supply after the year 2000. The Delaware River Basin Commission, which is responsible for managing the water resources within the Basin, will reassess the need for the reservoir during this timeframe. In the meantime, the provisions of Public Law 89-158, which relate to the administration of the area, still apply.

The National Parks and Recreation Act of 1978 (Public Law 95-625) amended Public Law 89-158 by transferring all federal lands, as well as land acquisition authority within the recreation area, from the Corps to NPS. Under authority contained in Public Law 89-158 and earlier legislation which authorized the Tocks Island project, the Corps purchased private property within the Recreation Area. This included property purchased by the Corps in 1971 from members of the Von Hagen family. The property was then leased back to the family members by the Corps on a year-to-year basis. When jurisdiction over properties in the Recreation Area transferred to NPS in November 1978, NPS continued to lease the property to the Von Hagen family members. This property included about 28 acres of land, an inn, a campground, a residence, and several storage buildings.

In 1985, NPS decided to put the Copper Mine Inn, a historic building on this property, up for lease to interested parties. NPS also closed the campground, which was operated by Mr. Donald Von Hagen. However, NPS continued to lease the residence to Mr. Von Hagen at a professionally appraised fair market rent. These actions are the source of the specific concerns brought to Representative Jim Courter's attention by Mr. Von Hagen.

OBJECTIVES, SCOPE, AND METHODOLOGY

In an April 18, 1986, letter, Representative Jim Courter requested that we provide information on three specific concerns raised by Mr. Von Hagen about National Park Service actions at the Delaware Water Gap National Recreation Area regarding the:

- Award of a lease for the Copper Mine Inn.
- Closing of a campground operated by Mr. Donald Von Hagen.
- Recent increase in Mr. Von Hagen's house rent.

In a meeting on May 28, 1986, with Representative Courter's staff, it was agreed that we focus our investigation on the

three specific concerns cited above. Furthermore, we agreed to talk to all parties involved.

We conducted our investigation during June and July 1986 by reviewing records and interviewing officials at the Delaware Water Gap National Recreation Area, located in Pennsylvania and New Jersey and headquartered in Bushkill, Pennsylvania; the National Park Service Mid-Atlantic Regional Office in Philadelphia, Pennsylvania; and the Office of Inspector General, Department of the Interior, in Washington, D.C. We reviewed applicable legislation, regulations, policies, correspondence, and other documentation and records relevant to the specific concerns.

As requested in Representative Courter's April 18, 1986, letter, we also interviewed Messrs. Donald Von Hagen, Alan Achtel (Von Hagen's son-in-law), and Kenneth Hampton (a former camper at the Copper Mine Inn campgrounds), and reviewed pertinent documentation provided by them. We also visited Mr. Von Hagen at his residence and toured the Copper Mine Inn and former campground site.

To obtain information on the recent increase in Mr. Von Hagen's rent, we reviewed appraisal reports prepared by an independent appraiser and noted the methodology and criteria used in establishing Mr. Von Hagen's rent, as well as rents for the other 20 residential properties owned by the National Park Service on the New Jersey side of the Recreation Area. In addition, we were accompanied by Mr. Von Hagen on a site visit to three of these residential properties.

SECTION 2

AWARD OF LEASE FOR COPPER MINE INN

The Copper Mine Inn (also known locally by its historic name, "Shoemaker's Union Hotel") is located in the Old Mine Road Historic District of the Recreation Area. The three-story structure, which dates back to the early 18th century, is one of the oldest buildings in the area and is listed in the National Register of Historic Places. Figure 2.1 shows the Inn as it currently appears.

Figure 2.1
Copper Mine Inn



The Inn was owned by members of the Von Hagen family from 1905 until October 1971, when it was acquired by the Corps. The Corps leased the property back to the family members from October 1971 to November 1978, when NPS acquired the property from the Corps. NPS continued to lease to the family members while it considered resource and visitor use needs and other policies for the area. In September 1978, NPS drafted a general management plan which provided that the Inn would be used to familiarize visitors with area history and other aspects of life in the area. During this time, the Inn was operated as a bar and restaurant.

Under the 1980 amendments to the National Historic Preservation Act of 1966, NPS is authorized to lease historic property which it owns. Because the Inn is a registered historic property covered by the 1980 amendments, NPS determined to put the property up for lease to defray costs for rehabilitation, maintenance, and administration. On March 5, 1985, Mr. Von Hagen was formally advised of NPS plans and was invited to submit a proposal. On March 29, 1985, the Superintendent of the Recreation Area notified Mr. Von Hagen that his temporary permit to operate the Inn--which had been extended on a month-to-month basis since October 1979--would not be extended beyond June 30, 1985.

LEASING PROCEDURES FOLLOWED BY NPS

A request for proposal (RFP), dated March 1, 1985, for the lease of the Inn and up to 4 acres of surrounding land was sent by NPS to 18 post offices, 11 newspapers, and about 130 potentially interested persons or groups, including Mr. Von Hagen. The RFP stated that proposals would be accepted until 4:30 p.m. on April 30, 1985. Prospective bidders were also advised that they were "not participating in a formally advertised procurement and that lessee selection will be based on both technical and cost considerations" after negotiation.

The RFP stated that "proposals must be compatible with the Service's mission," which at the Recreation Area would be adequately served by preservation of the building and the natural environment around it. The RFP also stated that a lease term of up to 99 years would be considered as would a highly flexible annual rental rate. NPS' criteria for evaluating proposals were listed, in descending order of importance, as

- preservation of the building in accordance with NPS standards,
- preservation of the natural environment around the building and its historic character,

- minimization of conflicts (i.e., crowding, noise, odors, and other environmental factors) between the Inn and the Recreation Area,
- imaginative linkage between suggested use and NPS' mission at the Inn, and
- term of lease minimized and revenues maximized for NPS use in preserving historic structures in the Recreation Area.

The RFP discussed the preservation standards required for the Inn but did not specifically solicit or preclude any particular proposed uses such as restaurants, motels, or other commercial operations.

NPS' EVALUATION OF PROPOSALS

According to the Superintendent, proposals were received from Mr. Von Hagen on April 29, 1985, and from Shawnee Inn, a Pennsylvania corporation which owns and operates a resort hotel located along side the Delaware River, on April 30, 1985.

The two proposals are summarized in table 2.1.

Table 2.1
Von Hagen and Shawnee Inn Proposals for Copper Mine Inn

<u>Content of proposals</u>	<u>Von Hagen</u>	<u>Shawnee Inn</u>
Proposed use	Restaurant serving snacks, sandwiches, light lunches, alcoholic and nonalcoholic beverages.	Country inn and restaurant consistent with colonial era; recreational activities such as theater, float boat trips, camping-related activities, and river recreation; sleeping rooms. Would serve food and beverages, including alcoholic and non-alcoholic.
Preservation and restoration	\$62,400 estimate provided for proposed restoration and repairs to exterior and 1st and 2nd floors; \$6,000 proposed for repairs to entrance road and parking lot.	\$100,000 initial investment to restore property with additional unestimated moneys to be expended for future restoration.
Term of lease	20 years, based on present rental value and payment of rent to be offset by total restoration costs.	99 years; monthly lease payment of \$1,001.

NPS determined that the two proposals were technically acceptable, and a five-member panel evaluated the two proposals in accordance with the prescribed evaluation criteria. (See pp. 9 and 10.) The panel consisted of four persons from the Recreation Area (the Park Superintendent, Historical Architect, Chief of Maintenance, and Management Assistant) and the Associate Regional Director for Cultural Affairs, NPS Mid-Atlantic Region. Shawnee Inn received a composite score of 334 and Von Hagen received a composite score of 248, as shown in table 2.2.

Table 2.2
Panel's Composite Scores for Shawnee Inn and Von Hagen

<u>Evaluation criteria</u>	<u>Maximum point value per panel member</u>	<u>Maximum possible scores</u>	<u>Scores assigned</u>					
			<u>Shawnee Inn</u>			<u>Von Hagen</u>		
			<u>Composite score</u>	<u>Average score</u>	<u>Range</u>	<u>Composite score</u>	<u>Average score</u>	<u>Range</u>
Preservation of building	30	150	131	26.2	25 to 28	93	18.6	15 to 20
Preservation of environment	25	125	10	2.0	0 to 10	10	2.0	0 to 10
Minimization of conflicts	20	100	78	15.6	10 to 20	67	13.4	10 to 20
Imaginative linkage	15	75	75	15.0	15	40	8.0	5 to 10
Minimize lease term, maximize revenue	<u>10</u>	<u>50</u>	<u>40</u>	<u>8.0</u>	5 to 10	<u>38</u>	<u>7.6</u>	5 to 10
Total	<u>100</u>	<u>500</u>	<u>334</u>	<u>66.8</u>		<u>248</u>	<u>49.6</u>	

DETERMINATION OF SUCCESSFUL
BIDDER AND CURRENT STATUS
OF LEASE

Because Shawnee Inn received the highest score in the evaluation process, it was accepted as the successful bidder. On June 19, 1985, the Superintendent notified Mr. Von Hagen that the Shawnee Inn proposal was accepted. He was advised that the Copper Mine Inn operation could continue through June 30, 1985, with removal of all equipment and belongings by July 31, 1985.

Shawnee was also advised on June 19, 1985, of its successful proposal and of NPS' plans to negotiate certain aspects of the lease arrangement and resolve other lease terms for finalization. In this connection, NPS has taken various actions, including

- obtaining a professional appraisal determining an "as is" fair market rental value of \$15,464 per annum for the Copper Mine Inn and
- preparing an initial phase construction cost estimate of \$166,500 for stabilizing and restoring the Copper Mine Inn.

A lease for operating the Copper Mine Inn has not been signed or approved. Negotiations to establish the terms of the lease, including total Shawnee investment, monthly rental, and length of lease, have been delayed, according to the Superintendent because of the current controversy surrounding the lease issue.

BASIS FOR LEASE
PROCEDURES FOLLOWED

NPS used the Historic Property Leasing Guideline--NPS-38, dated October 1982--in developing the RFP and evaluating the proposals.

Recreation Area officials advised us that the criteria used for the Copper Mine Inn lease will be the same for all properties to be leased under the Historic Lease Program, including use of the same weighting criteria for scoring proposals. Recreation Area officials also advised us that, in theory, they could have negotiated with both Shawnee Inn and Von Hagen after receiving the proposals. However, they made the decision to negotiate only with Shawnee Inn--the best bid in their judgment--because Shawnee's proposal appeared to be more comprehensive for preserving the building. This included the proposed hiring of an architect to provide drawings, site plans, and other structural analysis details. Von Hagen's proposal, on the other hand, appeared to be basically a repair and paint project.

SECTION 3

CLOSING OF CAMPGROUND OPERATED BY MR. VON HAGEN

Over the years, the land adjacent to the Copper Mine Inn had been developed to serve a variety of uses such as a campground for transient campers and a trailer park housing temporary and semipermanent trailers. In April 1980, NPS established a "Leaseback Policy" which provided for the issuance of special use permits to commercial establishments, seasonal and year-round residences, and other activities in the Recreation Area. For commercial establishments, NPS determined that special use permits would allow operations to continue until development of a general management plan that would indicate which commercial operations in the Recreation Area were essential and would qualify for long-term concession contracts. The special use permits were intended for a 5-year period and were to be issued only to commercial establishments meeting health and safety standards.

Although NPS gave Mr. Von Hagen permission to operate until further notice, a special use permit was never issued because the Copper Mine Inn facilities, including the campground, did not meet health and safety standards. For example

- a March 1980 campground inspection by a United States Public Health Service sanitarian and the NPS regional safety officer disclosed that (1) propane tanks were not properly secured, (2) electric wires and extension cords were not properly located, (3) a manual alarm system was required, (4) fire extinguishers were needed near the gas tanks which also needed warning labels, (5) emergency procedures needed to be posted, (6) trash bins needed lids and closures, and (7) the condition of the sewage disposal called for referral to appropriate state health and sanitation and federal environmental agencies;
- an October 1980 follow-up inspection by Public Health Service and NPS personnel disclosed that many of the same deficiencies plus additional problems existed even though Mr. Von Hagen had been advised, in June 1980, that a 5-year special use permit would only be issued when the deficiencies were corrected;
- a May 1981 inspection by NPS regional and Recreation Area safety officers disclosed that deficiencies continued to exist at the campground; and
- additional inspections at the campground, from May 1982 to May 1984, by Public Health Service, Warren County Health Department, and NPS safety personnel continued to disclose similar and related health and safety problems.

According to the Superintendent, the campground was allowed to continue operations, despite the health and safety problems, because of higher priority issues to be resolved such as high volumes of commercial traffic and management of nonfederal lands within the Recreation Area.

NPS' REASONS FOR CLOSING
CAMPGROUND

In February 1984, the Superintendent advised Mr. Von Hagen that the general management planning process was "nearing its end and decisions are being made about the continuation of commercial activities in the recreation area." In this regard, Mr. Von Hagen was advised that camping and trailer park activities at the Copper Mine Inn complex would not be allowed to continue beyond the 1984 summer season. Although NPS agreed to an April 1, 1985, date for final removal of all trailers and personal property, the campground effectively ceased operations by December 31, 1984.

According to the Superintendent, the decision to close Mr. Von Hagen's campground was made as part of the overall general management planning process. Among the reasons which led to NPS' decision to close the campground were that

- use of the campground by semipermanent trailers (e.g., trailers on blocks or deflated tires) was not considered to be camping by NPS and, as such, was not compatible with NPS policy or the Recreation Area's enabling legislation which, in NPS' opinion, was not intended to provide opportunities for exclusive use of Recreation Area facilities by a limited number of individuals in semipermanent trailers;
- close proximity of a campground in New Jersey's Worthington State Forest (i.e., about 3 miles) made camping in the Copper Mine Inn area undesirable;
- location of a campground on the banks of the Delaware River was not preferred by NPS because of possible harm to the river and was in violation of the Wild and Scenic Rivers Act, as amended, (Public Law 90-542), which stated that "Any visitors facilities established for purposes of use and enjoyment of the river under the authority of the Act establishing the Delaware Water Gap National Recreation Area . . . shall be compatible with the purposes of this Act and shall be located at an appropriate distance from the river.";

- the campground did not meet health and safety standards; and
- operation of a bar at the Copper Mine Inn was not compatible with a family-oriented campground.

We reviewed the September 1978 draft general management plan for the Recreation Area--which was disclosed to the public in November 1980--and the June 1986 draft general management plan for the Recreation Area--which was publicly made available for comments between June 15 and August 15, 1986--to ascertain (1) what NPS intentions were for the operation of a campground in the Copper Mine Inn area when the land was acquired from the Corps in 1978 and (2) what the current plans are. We found that

- the 1978 draft plan (1) did not provide for any type of camping at the Copper Mine Inn location and (2) indicated that family camping in the Recreation Area would be limited to the Worthington State Forest after considering that many commercial campgrounds outside the Recreation Area could be used for family camping and
- the 1986 draft plan (1) designated no campground for the Copper Mine Inn area and indicated that trailer campsites and pit/portable toilets would be removed, (2) indicated that family campgrounds within the Recreation Area would be limited because of the proximity of commercial campgrounds in the area for accommodating much of the family camping demand, and (3) designated three family campgrounds for the New Jersey side of the Recreation Area and one family campground for the Pennsylvania side.

ACTIONS TAKEN BY NPS FOR OTHER COMMERCIAL OPERATIONS

NPS acquired 16 commercial establishments when responsibility for the Recreation Area was transferred from the Corps. Currently, only a campground on the Pennsylvania side of the Recreation Area and a gas station remain open under concessions permits issued by NPS in accordance with Public Law 89-249, which establishes concession policies in areas administered by NPS.

According to the Superintendent, NPS has allowed Dingman's Campground (formerly called Bernie's Campground) on the Pennsylvania side of the river to continue operating because it

- has been operating on a "first-come first-served" basis with established camping duration limits since semipermanent campers were removed after the 1984 season;
- is more in line with NPS policies as an established campground (e.g., individual wooded campsites with picnic tables, electrical hook-ups, and fire locations) and is more conducive to improvements to correct deficiencies;
- is not located immediately on the river bank;
and
- has flush toilets, showers, and a dump station;
and has otherwise met NPS health and safety standards.

Dingman's Campground operated under a 5-year special use permit which was issued when NPS health and safety standards were met. Dingman's permit was converted to a concession permit when the special use permit expired on June 30, 1985. Another campground in the area--Gerald Lee's Fish Camp--did not have its special use permit extended by NPS because it failed to meet NPS requirements.

SECTION 4

INCREASE IN MR. VON HAGEN'S HOUSE RENT

The Corps' purchase of the Copper Mine Inn complex in 1971 consisted of over 27 acres of land and included the Copper Mine Inn, the campground, a permanent residence, and general storage buildings. When the Corps leased the property back to members of the Von Hagen family, a rental of \$250 per month was charged for the entire complex. NPS acquired jurisdiction over Recreation Area properties on November 10, 1978, and continued the \$250 monthly rental through June 30, 1980.

NPS' April 1980 Leaseback Policy stated that the special use permits to be issued would provide for payment of a fair market value rental fee for Recreation Area properties. The special use permits were to be issued for a 5-year period to permanent occupants meeting certain conditions including those who

- were in occupancy on or before November 10, 1978;
- were current in payment of existing Corps' leases;
- complied with health and sanitation standards; and
- would maintain the properties and access roads at their own expense.

Although the Von Hagen property did not meet accepted health and sanitation standards and a special use permit was not issued by NPS, Mr. Von Hagen was permitted to continue occupying the property. However, the rent on the property periodically increased from the \$250 monthly rental charged by the Corps and, initially, by NPS.

HISTORY OF VON HAGEN'S RENT INCREASES

On July 1, 1980, NPS raised Von Hagen's monthly rent for the Copper Mine Inn complex to \$550. This rent was based on a professional appraiser's recommendation for 27.88 acres improved with a commercial tavern, a permanent residence, a frame cottage, three storage buildings, and a small trailer camp with limited services for customers. The fair market rental value was based on the appraisal of the Copper Mine Inn complex as a commercial property and was established, according to the appraiser, by using recognized appraisal techniques and in accordance with the requirements of the Uniform Appraisal Standards.

Beginning in January 1982, NPS adjusted monthly rentals on an annual basis using the consumer price index. Table 4.1 shows the rent increases for Mr. Von Hagen through March 31, 1985.

Table 4.1
Von Hagen Rent Increases through March 31, 1985

<u>Rent period</u>		<u>Monthly rent</u>	<u>Consumer price index increase</u> (percent)
<u>From</u>	<u>To</u>		
Jan. 1982	Dec. 1982	\$621.50	13.0
Jan. 1983	Dec. 1983	653.17	5.1
Jan. 1984	Dec. 1984	672.08	2.9
Jan. 1985	Mar. 1985	700.33	4.2

When the campground closed on April 1, 1985, Von Hagen's monthly rent was reduced to \$560.27. This new rent was not based on a new appraisal but was established by NPS after consultation with the professional appraisers and reflected a 20-percent reduction.

On June 30, 1985, NPS closed the Copper Mine Inn. After the closure, NPS advised Mr. Von Hagen that his rent would again be reduced after a fair market rental appraisal for his residence was obtained. In the interim, NPS did not charge Mr. Von Hagen rent between July 1, 1985, and November 1, 1985--the date the new fair market rent was implemented--because NPS was in the process of obtaining appraisals and did not know what rent to charge Mr. Von Hagen.

FAIR MARKET APPRAISALS
TO ESTABLISH NEW RENTS

In accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Public Law 91-646) and a December 1981 decision of a Department of the Interior Associate Solicitor, NPS charges fair market rental rates for properties it leases. In November 1984 NPS requested quotes for fair market rental appraisals for residential properties within the Recreation Area on both the Pennsylvania and New Jersey sides of the river. Mr. Von Hagen's property was not included at this time because it was considered to be a commercial property. An order for the appraisals was given to a professional appraiser in January 1985. The completed appraisal reports were received by NPS in May 1985. However, NPS did not accept these appraisals because they failed to meet minimum NPS appraisal standards.

In August 1985, NPS contracted to obtain professional fair market rental appraisals for residential properties on the New Jersey side of the Recreation Area. This included the Von Hagen residence which, since the closing of the campground and the

Copper Mine Inn, was no longer considered to be commercial. The appraisals were completed for 21 residences on October 1, 1985.

On November 1, 1985, Mr. Von Hagen began paying a new monthly rent of \$562.50 for his residence and about 1 acre of ground. On November 8, 1985, Mr. Von Hagen and NPS signed a special use permit allowing Mr. Von Hagen to occupy the property from January 1, 1986, to December 31, 1990, and providing for annual rent revisions by applying the consumer price index or obtaining certified appraisals.

Mr. Von Hagen's new rent became effective on November 1, 1985, because he was not covered by a special use permit up to that time. New fair market rents for the other residents became effective on October 1, 1986, because they were all covered by previously issued special use permits which extended the existing rental rates and prohibited rent increases except on an annual basis. The first year of the special use permits expired on September 30, 1986, and NPS was concerned about the legality of increasing rents before October 1, 1986. The Superintendent advised us that Mr. Von Hagen was treated differently, insofar as the effective date of his new rent, only because he never had a special use permit like the other tenants. However, Mr. Von Hagen was charged the fair market rental rate to which he was entitled.

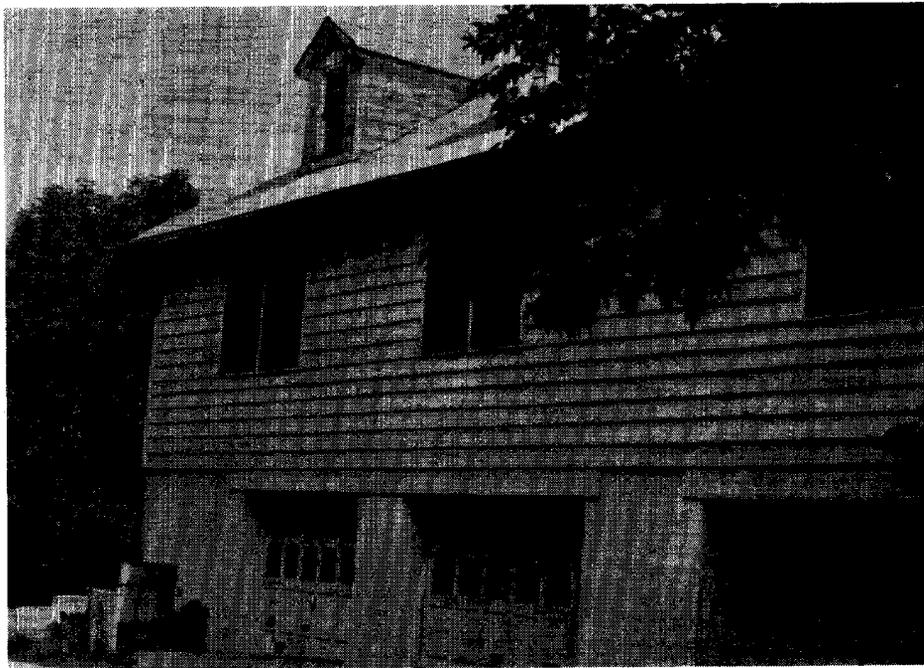
HOW NPS DETERMINED VON HAGEN'S CURRENT RENT

The Von Hagen residence is a three-level masonry/wood frame structure consisting of four garages on the first floor and living space on the second and third floors. The living space consists of four apartments--two on each floor--comprising 3,162 square feet of the total 5,270 square feet for the building. Mr. Von Hagen lives in one of the apartments, and a former employee and his wife occupy another apartment on a rent-free basis. The remaining two apartments are used as storage and/or to house visitors. Figures 4.1 and 4.2 show two different outside views of the residence.

Figure 4.1
Von Hagen Residence



Figure 4.2
Von Hagen Residence, view of garage



In appraising the property, the independent appraiser made the following considerations:

- The residence was considered to be an eight-bedroom house.
- Only the 3,162 square feet of living space was considered.
- Eleven comparable properties in the area were considered for potential comparison to Mr. Von Hagen's residence. Three of these were determined the most comparable and were used in the detailed analysis made by the appraiser.
- Monthly rent of the comparable properties was adjusted to equate to Mr. Von Hagen's property. Adjustments for location, size, the number of bedrooms, amenities, and the physical condition of all properties were considered by the appraiser. However, the only adjustment made was to reflect the superior size of Mr. Von Hagen's residence in relation to the comparables.

After adjustment, the appraiser determined the monthly rental range of the comparables to be \$520 to \$850 (an average of \$740 for the three). The appraiser recommended a monthly fair market rent of \$750 for Von Hagen's property and provided as a rationale the opinion that "The rental for the subject property would range toward the upper end of the rental range because of the condition of the subject property" The appraiser also recommended a 25- to 30-percent reduction from the recommended rent because of tenant responsibility for building repairs and maintenance, limited services, and lack of privacy facing tenants living on government-owned property within the Recreation Area. NPS accepted the appraiser's recommendations and established Mr. Von Hagen's new monthly fair market rent at \$562.50 (i.e., \$750 minus 25 percent).

Our analysis showed that the fair market rents for all 21 residential properties in New Jersey were determined by the same appraiser using the same methodology. It also showed that, in all cases, NPS accepted the appraiser's recommended rents and rent reductions.

(140812)

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Address Correction Requested

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100