

May 9, 1974

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MEMORANDUM FOR THE MARIANAS POLITICAL STATUS COMMISSION FILE

SUBJECT: Appraisal of Land on Tinian

Ann Leonard, Richard Maurice and I met yesterday afternoon with Frederick M. Babcock, a real estate consultant and appraiser. Mr. Maurice was given Mr. Babcock's name by the President of the American Society of Appraisers, and was told that Mr. Babcock was the best appraiser in the area to talk to about the unusual appraisal problems involved in the Marianas negotiations. Mr. Babcock gave us a resume, a copy of which is attached; he asked that we understand that this resume was prepared while he was seeking urban renewal work, and therefore does not show certain experience which may be relevant to the Tinian situation. In the course of our conversation Mr. Babcock drew on his experience in the appraisal of wilderness land in Colorado and at the Los Alamos facility in New Mexico.

We gave Mr. Babcock a brief review of the background of the negotiations and the role of the land valuation problem. We asked for his view on how the appraisal might be structured. I told Mr. Babcock that one of the ideas we were presently considering was having each side appoint one appraiser, the two of them appoint a third from a recognized professional group, and those three determining the fair market value of the interest in land on Tinian granted to the United States. Mr. Babcock tentatively offered the following alternative. Each of the parties would appoint one appraiser; these two appraisers would be directed to determine the "just compensation" for the interest in land on Tinian granted to the U.S. (i.e., the amount which would make the people of the Marianas "whole" for what was being taken away from them), without any detailed terms of reference; each of the two appraisers would draw on the same background material, thereby permitting the Marianas appraiser to use the facilities of the United States for data gathering; the consultants, and perhaps even representatives of the U.S. Delegation and the MPSC, would provide back-up assistance to the appraisers, in recognition of the fact that the determination of the just compensation is not

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a wholly technical matter but is rather to a large extent a mini-negotiation between experts; the appraisers would attempt to agree on an amount of money which is just compensation, but neither party to the main negotiations would be bound by the appraisers recommendation and, if there was no agreement each party would get a report from its own appraiser on the basis of which further negotiations between the principals could take place.

Mr. Babcock suggested this plan as an alternative to the one we had been discussing because he thought it provided additional flexibility (since neither side would be bound by the appraisers' decision and both sides would be involved in the appraisal process) and because it avoided the probability that the U.S. and the Commission would fight over the detailed terms of reference to the panel of three appraisers. Mr. Babcock's plan holds out the possibility that there would be no detailed terms of reference and that the just compensation might be determined in a way which was satisfactory to both sides. (For purposes of later public consumption in the U.S., of course, the amount which was determined to be just compensation could be labeled fair market value.) Furthermore, Mr. Babcock thought that there was a good chance that the two appraisers under his plan could agree to a price, for several reasons. First, he thought that the Naval Facilities Engineering Command, who would probably represent the United States in any such scheme, would either hire an outside appraiser itself or use very high level people within the Command; in either event, in Mr. Babcock's opinion, the Marianas appraiser would be dealing with professionals who can be counted on to attempt to determine in good faith a fair price, rather than just trying to save the government a few dollars. Second, since the United States knows that it cannot fall back on its eminent domain power to get the land that it wants in Tinian, and since it wants to build a base on Tinian, the appraisers will have a very real incentive to come to an agreement. Asked what the estimated period of time this process would take would be, Mr. Babcock said it would certainly take several months, though not of constant work.

We explained to Mr. Babcock that the Commission's position was that there should be a lease of land for 50 years with an option to renew. He did not think that that would change the scheme which he had outlined to determine

just compensation. He said that it might or it might not be necessary first to determine the fair market value of a fee interest in the land; there are methods available by which fair market value of a leasehold can be determined without first determining the value of the fee (of course by then applying an appropriate rate of capitalization, a fair market value for the fee can be obtained from any rental). With respect to the practicality of a periodic reassessment of the rental fee, Mr. Babcock thought it was workable since the government was the party renting the land; he suggested that we ought to think about a more flexible mechanism for reassessment than simply an automatic requirement that the rentals be reassessed every ten years.

Mr. Babcock asked if he could contact government appraisers and lawyers he knew to discuss the possibility of working out the kind of arrangement which he had suggested, without identifying the situation he had in mind. Apparently, Mr. Babcock had some concern that the government would want to have a full-scale appraisal done by its side before entering into any kind of negotiations about price with the Marianas appraiser. This might be undesirable because it could lead to the government appraiser refusing to provide background information to the Marianas appraiser; and it might also lead to a hardening of the government's position once it had a formal appraisal in its files. I told him that everything we had discussed was on public record, except the idea of each side appointing one appraiser and the two of them appointing a third, so he was free to use all information on the public record in any way he saw fit. Mr. Maurice suggested that Mr. Babcock do nothing until at least Mr. Willens and Mr. Leonard had been contacted about this conversation.

The situation was left as follows. I will send Mr. Babcock some information on the talks and I will discuss his suggestion with Mr. Willens and Mr. Leonard in Saipan, and perhaps, through Mr. Maurice, get back to Mr. Babcock within the next few weeks. In the meantime, Mr. Maurice will try to contact other experts to see whether they offer

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the same advice as was offered by Mr. Babcock. If Mr. Maurice develops any useful information he may be in touch with us in Saipan through Mr. Willens' secretary

Michael S. Helfer

Attachment

cc: Mr. Willens  
Mr. Leonard  
Mrs. Leonard (w/o attachment)  
Mr. Maurice (w/o attachment)  
Ms. Kraner (w/o attachment)  
Mr. Mode (w/o attachment)

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Frederick M. Babcock counsels and appraises for private and government clients on urban renewal and redevelopment, acquisitions and disposals, market measurement and analysis, housing programs, and legislative policy.

Memberships: American Society of Appraisers  
Society of Real Estate Appraisers  
Lambda Alpha (land economics fraternity)

Mr. Babcock is author of the Appraisal of Real Estate (Macmillan 1923), the Valuation of Real Estate (McGraw-Hill 1932), and numerous articles and booklets including contributions to the Appraisal Journal, Technical Valuation, and other professional publications. He is author of the FHA Underwriting Manual and the Navy's technical publications on Housing Administration and Real Estate.

Fellow of the American Society of Appraisers.

Member of the Special Committee on Education of the American Institute of Real Estate Appraisers.

Member of the Editorial Board of "The Appraiser" of the American Institute of Real Estate Appraisers.

Member of the Building Research Advisory Board of the National Academy of Sciences.

Past Chairman of Committee on Appraisal Standards of the American Society of Appraisers.

Recipient of special citation of Society of Real Estate Appraisers.

Recipient of honorary membership and special citation from Society of Appraisers of Venezuela.

Mr. Babcock entered the valuation field in 1920 in Chicago in the firm of Wm. H. Babcock & Son. For one year (1931-32) he was a member of the faculty of the University of Michigan Graduate School of Business Administration. He was Asst. Administrator of the FHA for its first six years (1934-40), created its appraisal and underwriting system, and managed its underwriting staff of several thousand in 68 offices.

Mr. Babcock has appraised all kinds of urban real estate in 40 states and Canada and the Argentine for finance institutions, builders and developers, owners, associations, unions, and city, state, and Federal agencies, including:

BUREAU OF THE BUDGET Reports on Policies and Practices in Housing  
Government workers, and on rent policies.

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U.S. AIR FORCE

Recommendations on Air Force Housing Legislation and programs for housing action.

ATOMIC ENERGY COMMISSION

Numerous reports including Recommendations on Private Rental Housing Legislation for Oak Ridge, Richland, and Los Alamos. Member panel on Community Operations.

Financial Plan for new community in Nevada.

Recommendations and guidelines for renegotiation of commercial leases at Los Alamos preparatory to disposals of properties.

U.S. NAVY

Technical Publication on Housing Administration, relating to public quarters, rental housing, and Title VIII housing. Also Technical Publication on Real Estate, relating to acquisition, use, leasing, and disposal of Navy real estate.

NATIONAL SECURITY Resources Board

Report on Housing and Community Facilities in Post-Attack Rehabilitation and other reports.

DEPT. OF HOUSING & URBAN DEVELOPMENT

Planning of housing research projects and recommendations on housing legislation.

Survey of Residential Land Pricing Methods and Valuation Methods for Re-Use Residential Land in Urban Renewal Projects.

FEDERAL HOUSING ADMINISTRATION

Preparation of Training Curriculum on FHA Multiple Housing Programs and conduct of five training schools for FHA and URA personnel.

Valuation of all commercial properties at Los Alamos.

VENEZUELA

Conduct of advanced two-week school of valuation for Society of Appraisers of Venezuela.

STATE OF MINNESOTA

Housing in Minnesota, a report presenting proposals for state housing legislation.

STATE OF CONNECTICUT

Technical guidance and establishment of State Home-Ownership Mortgage Program.

STATE OF MARYLAND

Special valuations of properties for highway right of way.

DEPARTMENT OF JUSTICE

Valuation of properties for Federal acquisition, including eleven Wherry Act apartment properties at Norfolk, Ft. Riley, Chanute Field, Ft. Knox, and Ft. Leavenworth and properties in the District of Columbia.

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D.C. REDEVELOPMENT  
LAND AGENCY

Report on Land Acquisition Procedures and  
Techniques.

CITY GOVERNMENTS

Market analyses and pricing of parcels for re-use in urban renewal projects in St. Louis, (Mill Creek Valley and Kosciusko), Baltimore (Charles Center, 16 development areas), Charlotte, N.C. (Brooklyn area), District of Columbia (Initial recommendations on selection of area, redevelopment scheme, acquisition costs, food distribution and markets, waterfront and fish market and re-use valuations of sites in waterfront development area), Utica (central district), Danville, Va. (Ridge Street redevelopment, Union Street redevelopment), Newport News, Va. (central district and industrial area), Rockville, Md. (midtown urban renewal project), Norfolk, Va. (re-use sites in Atlantic City Redevelopment project), West New York, N.J. (Boulevard East Project), Jersey City, N.J. (Holland Tunnel Urban Renewal Project), High Point, N.C. (East Central Urban Renewal Project), Bethlehem, Pa. (Northampton Heights Project), Erie, Pa. (Downtown Erie Project), Cumberland, Md. (George Street Project), West Orange, N.J. (Thomas A. Edison renewal project), Lewistown, Pa. (East Market St. Project), West New York, N.J. (Boulevard East Project), South Bend, Ind. (LaSalle Park Project and Chapin St. Project).