

STATE PROPERTIES REVIEW BOARD

Minutes of Meeting Held On January 10, 2022 – remotely via telephone conference –

Pursuant to Governor Lamont's Executive Order No. 7B regarding suspension of In-Person Open Meeting requirements, the State Properties Review Board conducted its Regular Meeting at 9:30AM on January 10, 2022 remotely via telephone conference at (866)-692-4541, passcode 85607781.

Members Present:

Edwin S. Greenberg, Chairman
Bruce Josephy, Vice Chairman
John P. Valengavich, Secretary
Jack Halpert
Jeffrey Berger
William Cianci

Members Absent:

Staff Present:

Thomas Jerram

Guests Present

Mr. Valengavich moved and Mr. Halpert seconded a motion to enter into Open Session. The motion passed unanimously.

OPEN SESSION

1. ACCEPTANCE OF MINUTES

Mr. Valengavich moved and Mr. Berger seconded a motion to approve the minutes of the January 6, 2022 Meeting. The motion passed unanimously.

2. COMMUNICATIONS

3. REAL ESTATE- UNFINISHED BUSINESS

4. REAL ESTATE – NEW BUSINESS

<i>PRB #</i>	21-191
<i>Transaction/Contract Type:</i>	RE – Voucher
<i>Origin/Client:</i>	DOT/DOT
<i>Property:</i>	044-156-012
<i>Grantor:</i>	QPO Properties, LLC
<i>Property:</i>	East Lyme, Flanders Rd (252)
<i>Project Purpose:</i>	I-95 Interchange 74 Improvements at Route 161 and Replacement of Bridge No. 00250
<i>Item Purpose:</i>	Voucher

DAMAGES: \$202,500

DOT PROJECT:

The purpose of the project is to address vehicular safety on I-95 at Interchange 74 and address traffic operational concerns between Interchanges 74 and 75 in East Lyme. In addition, this project will

address traffic operational concerns and improve safety for all roadway users (motorists, pedestrians and bicyclists) on Route 161 in the vicinity of the exit 74 interchange ramps. It is also proposed to replace the I-95 bridge over Route 161 due to its poor condition and to accommodate the widening on Route 161.

I-95 will be widened to accommodate three travel lanes in each direction (one of the three lanes is intended for future use). An auxiliary lane will be constructed between exits 74 & 75 in each direction. As a result of the I-95 widening, the bridges over Pattagansett River and Latimar Brook will be extended or replaced contingent on the hydraulic analysis of the existing bridges.

The terminus of the northbound I-95 exit 74 ramp will be relocated southerly to form a new signalized intersection with Route 161 and the Burger King Driveway. Vehicles on southbound Route 161 will be accessing I-95 northbound on a new entrance “loop” ramp approximately 500 feet south of its current location. The entrance ramp to I-95 northbound for vehicles on northbound Route 161 will be realigned slightly at its present location.

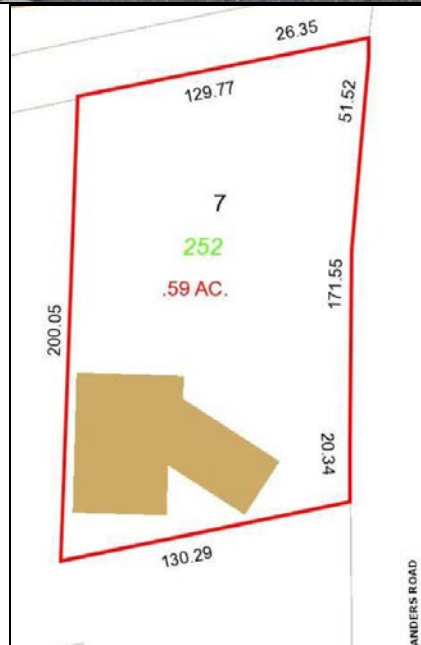


SITE DESCRIPTION: The subject property is comprised of a 0.592-acre parcel of land. There is 200.20 linear feet of frontage along Flanders Road. There are two curb cuts on Flanders Road. The site has a rectangular shape with level topography. The site does not contain any wetlands.

The site is improved with a gas station/automotive repair garage. The automotive repair garage totals 3,534 square feet in size, not including the 2,265 square foot unfinished basement which is used for storage. The building was built in 1962. The roof was reportedly recently replaced. The gas station kiosk building totals 384 square feet and was built in 1989. The underground storage tanks were replaced circa 2005 when the current tenant took occupancy. The property is located within the CA Zone, in East Lyme, Connecticut.

The site has been improved with a paved parking lot, curbing, a sign typical of fueling station use, a 2,072 square foot canopy, and minimal landscaping.

The Appraiser opines the highest and best use of the site as vacant would be development of a gas station/automotive repair garage, due predominantly to the subject’s zoning and location along a commercial corridor in East Lyme and as-improved for continued present use as a gas station/automotive repair garage.



BEFORE VALUATION: The DOT appraisal was completed July 27, 2021 by independent Appraisers Vincent O’Brien and Michael Fazio of Kerin & Fazio, LLC.

Land Valuation: Based on the sales comparison approach, the Appraiser considered five sales in the greater market area (2017-2021) of similarly-zoned land with similar development potential and highest and best use and concluded that the fair market value of the subject land was \$26.00/sf x 25,795 sf = \$670,670, or \$670,700 rounded.

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5
Address	252 Flanders Road	815 Hamilton Avenue	684 West Main Street	42-48 Prospect Street and Golden Naugatuck	249 and 257 Silver Lane	61-65 Town Street
City	East Lyme	Waterbury	Norwich		East Hartford	Norwich
Date of Sale	N/A	2/24/2021	5/12/2017	2/27/2020	1/24/2019	8/16/2017
Sale Price	N/A	\$1,900,000	\$550,000	\$700,000	\$700,000	\$650,000
Land Acres	0.592	2.040	0.670	0.710	1.920	0.710
Land SF	25,795	88,862	29,185	30,928	83,635	30,928
Traffic Count	24,000	19,119	19,600	15,000	17,400	9,200
Zone	CA	CA	GC	B-2	B2	NC
Price/SF Land	N/A	\$21.38	\$18.85	\$22.63	\$8.37	\$21.02

The depreciated value of the subject’s site improvements is estimated utilizing data from Marshall Valuation Services, a national cost estimating service, for a total value of \$90,000.

The town assessment records indicate the value of the land is \$460,000, or \$17.83/sf (100% value) based on a 2016 town-wide revaluation.

Building Valuation

Sales Comparison Approach: The appraiser analyzed four sales of similar gas station properties in Hartford and Fairfield Counties (2019-2021) and concluded that the fair market value of the subject property was \$478/sf x 3,918 sf = \$1,872,804. Added to the indicated market value is the present value (\$84,000) of the excess rent attributable to the service garage, or \$1,872,804 + \$84,000 = \$1,956,804, rounded to \$1,956,800.

	Subject	Sale #1	Sale #2	Sale #3	Sale #4
Address	252 Flanders Road	17 Windsor Avenue	898 Farmington Avenue	61 South Main Street	456 Main Street
City	East Lyme	Windsor	West Hartford	Windsor Locks	Monroe
Date of Sale	N/A	11/12/2020	6/30/2021	1/15/2021	1/30/2019
Sale Price	N/A	\$1,700,000	\$1,000,000	\$1,200,000	\$1,500,000
GBA	3,918	1,920	2,282	2,080	2,640
Year Constructed	1962 & 1989	1970	1961	1968	1947 & 1993
Site Size	0.592	0.770	0.230	0.460	0.970
Traffic Count	24,000	17,495	9,952	10,203	18,003
Land to Building Ratio	6.58	17.47	4.39	9.63	16.00
Number of Dispensers	8	10	4	8	6
Canopy Size	2,000	2,400	1,000	1,232	2,100
Price/SF GBA	N/A	\$885.42	\$438.21	\$576.92	\$568.18
Price/SF Land	N/A	\$50.68	\$99.81	\$59.89	\$35.50

Income Capitalization Approach: The Appraiser analyzed following rentals of similar commercial properties in the greater area:

Property Type	Automobile Service and Repair Facility	Automobile Service and Repair Facility	Automobile Service and Repair Facility	Automobile Service and Repair Facility
GBA	4,800	2,360	7,676	3,696
Year Built	1970	1965	2006	1964
Land Acres	0.69	0.13	1.29	0.90
Land to Building Ratio	6.26	2.40	7.32	10.61
Traffic Count	13,719	22,239	19,078	15,309
Leased Area (SF)	4,800	2,360	7,676	3,696
Date Lease	9/5/2017	2/1/2021	5/19/2020	12/1/2018
Reimbursement Type	NNN	NNN	NNN	Mod. Gross
Lease Remarks	Starting rent for automotive repair facility. Not located on a gas station site.	Full building automotive repair lease.	Former Party City building leased by AutoZone. Set back from road. Starting rent.	Starting rent for full building automotive repair facility.
Lease Rate per SF	\$12.50	\$15.25	\$13.75	\$17.86
NNN Lease Rate per SF	\$12.50	\$15.25	\$13.75	\$14.86

The Appraiser analyzed following rentals of gas station properties in the greater area:

Gas Station Lease Survey						
Annual Rent	Size (SF)	Land SF	Rent/SF	Rent/SF Land	Basis	
\$229,900	2,400	42,253	\$95.79	\$5.44	NNN	
\$150,150	60	16,988	\$2,502.50	\$8.84	NNN	
\$145,800	120	28,750	\$1,215.00	\$5.07	NNN	
\$173,800	120	51,401	\$1,448.33	\$3.38	NNN	
\$144,000	912	25,265	\$157.89	\$5.70	NNN	
\$175,450	1,020	18,731	\$172.01	\$9.37	NNN	
\$289,190	2,338	51,836	\$123.69	\$5.58	NNN	
\$94,380	256	20,473	\$368.67	\$4.61	NNN	
\$161,975	584	27,007	\$270.34	\$5.51		

Market Rent Conclusion:

Market Rent Table		
Space Type	Rent/SF	Basis
Automotive Garage	\$20.00	NNN
Gas Station	\$150.00	NNN

After fully supporting market-based vacancy, operating expenses and capitalization rate, the Appraiser estimated Net Operating Income and market value as follows:

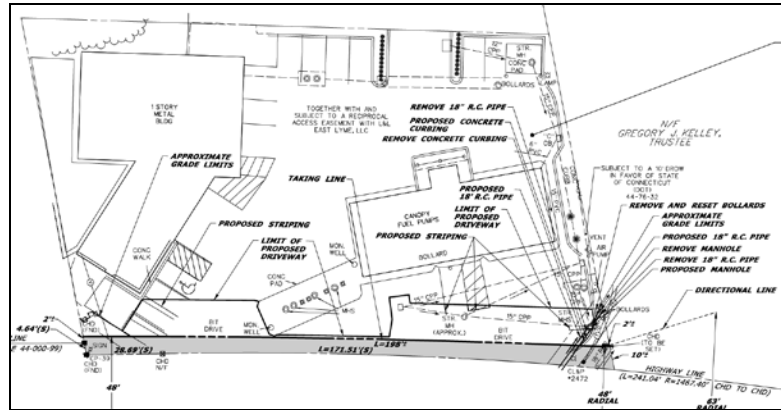
Rental Income	Annual	Per	% of PGI
Automotive Repair Garage (3,534 SF at \$20.00/SF)	\$70,680	\$20.00	55.5%
Gas Station Kiosk (384 SF at \$147.66/SF)	\$56,700	\$147.66	44.5%
Total Rental Income	\$127,380	\$32.51	100.0%
Potential Gross Income	\$127,380	\$32.51	100.0%
Less Vacancy & Collection Loss (5.0%)	(\$6,369)	(\$1.63)	-5.0%
Effective Gross Income	\$121,011	\$30.89	95.0%
Operating Expenses	Annual	Per SF	% of EGI
Management Fees	\$3,630	\$0.93	3.0%
Replacement Reserve	\$980	\$0.25	0.8%
Total Expenses	\$4,610	\$1.18	3.8%
Net Operating Income	\$116,401	\$29.71	96.2%
Direct Capitalization Summary			
Net Operating Income			\$116,401
Divided By Overall Rate			7.50%
Capitalized Value Indication			\$1,552,016
Plus Adjustments			
Plus Excess Rent			\$84,000
Adjusted Value Indication			\$1,636,016
Rounded (\$417.56 per)			\$1,636,000

Reconciliation and Value Conclusion - Before

Approach	Opinion of Market Value
Sales Comparison Approach - Land	\$670,700
Income Capitalization Approach – Building	\$1,636,000
Sales Comparison Approach Building	\$1,956,800
Conclusion of Market Value	\$1,716,200

The Taking: DOT will acquire the following:

- 1,304 +/- square foot taking area
- 2,008 square foot right to install pipe, reset manhole, add parking lot striping, grade, and construct driveway.



The Connecticut DOT proposes to take 1,304 square feet of land located along the subject's frontage on Flanders Road. It should be noted that access to the subject property from Flanders Road will be maintained during the construction period. The Taking will result in the loss of one parking space on the southeastern portion of the property and a decrease in mobility on the site. The space to be lost will be located on the property line After the Taking. Motorists leaving the space will likely enter the sidewalk or street. Based upon the safety issues to be created by the decreased mobility, the space is considered unusable After the Taking. Additionally, the Taking will cause gasoline delivery trucks to the gas station to be parked closer to the fueling islands and will limit mobility surrounding the gas station. The Taking will also result in the loss of pavement, curbing, and landscaping within the Taking area.

As part of the Taking, the Connecticut DOT will acquire the right to remove and install a pipe, reset manhole, add parking lot striping, and construct a driveway (2,008 square feet).

AFTER VALUATION:

The "After" valuation of the subject property is subject to the following Extraordinary Assumptions and Hypothetical Conditions:

EXTRAORDINARY ASSUMPTIONS:

The leases to the tenants at the subject property feature eminent domain clauses which permit the tenants to terminate the leases in the event of an eminent domain taking. The appraisal is subject to the extraordinary assumption that the tenants will not exercise their right to terminate their leases as a result of the Taking. If the tenants do exercise their right to terminate their leases as a result of the Taking, the appraisers reserve the right to amend the appraisal report and the value is subject to change.

The appraisal is subject to the extraordinary assumption that access to the subject property from Flanders Road via either of the two curb cuts will not be denied throughout the course of the DOT project. If access to the subject property via either of the two curb cuts is denied at any time, the total damages/payment is subject to change due to the potential addition of temporary damages.

HYPOTHETICAL CONDITIONS:

The methodology used in this report is in the form of a 29 Point "Before" and "After" Appraisal Report format used for eminent domain purposes. The appraisal considers that there is a willing seller in an acquisition by eminent domain and has disregarded any effect on the market value brought on by the State's project. The appraisal report was based on the hypothetical condition that the proposed road project will be completed as currently proposed, in the Department of Transportation construction plans, on the day after the "as of" date. No other conditions were necessary to arrive at a credible value.

After Land Valuation: Based on the sales comparison approach, the Appraiser considered the same as the Before Valuation and concluded that the fair market value of the subject land was unchanged at \$26.00/sf x 24,491 sf = \$636,766, rounded to \$636,800.

After Building Valuation

In developing the Sales Comparison and Income Capitalization Approaches, the Appraiser opines that the property will suffer Permanent Severance Damages due to the loss of a parking space and decreased mobility, described by the Appraiser, as follows:

Permanent Severance Damages

The loss of one parking space for the automotive repair garage represents approximately 14% of the total parking allocated to the repair garage based upon the map of the leased premises in the lease. The appraiser concludes the loss of the parking space will result in a 15% reduction in market rent (\$3.00 per square foot).

The Taking will result in decreased mobility for the gas station. The Taking will cause gasoline delivery trucks to the gas station to be parked closer to the fueling islands and will limit mobility surrounding the gas station. The appraiser concludes the reduced mobility will result in a 5% reduction in market rent for the gas station. The reduction in market rent for the gas station is \$7.50 per square foot.

The market rent for the subject space in the After scenario is as follows:

Market Rent Table		
Space Type	Rent/SF	Basis
Automotive Garage	\$17.00	NNN
Gas Station	\$142.50	NNN

Total severance damages are the difference between the fee simple value of the subject property via the Income Capitalization Approach Before the Taking and the fee simple value of the subject property the Income Capitalization Approach After the Taking. Please refer to the Income Capitalization Approach – After and Income Capitalization Approach – Before sections of this appraisal for the two analyses. Note that the reduction in rent for the gas station is applied to the contract rent; the gas station appears to be leased at market and contract rent is utilized in the analysis. Therefore, severance damages are calculated as follows:

Severance Calculation	
Fee Simple Value Via Income Approach Before	\$1,552,016
Fee Simple Value Via Income Approach After	\$1,386,384
Total Severance Damages	\$165,631
Rounded	\$165,600

After Sales Comparison Approach: The appraiser analyzed the same sales of commercial buildings in the Before Valuation and concluded that the fair market value of the subject property was unchanged at \$478/sf, calculated as follows:

Sale Price/SF GBA Comparison		Indicated Subject Value	
Maximum	\$ 569.67	Concluded Value/SF GBA	\$ 478.00
Average	\$ 478.15	GBA	3,918
Minimum	\$ 398.44	Indicated Value	1,872,804
		Plus Excess Rent	84,000
		Rounded Value - Before	\$ 1,956,800
		Less Taking Area Value	\$ (33,900)
		Less Site Improvements	\$ (3,000)
		Less Severance Damages	\$ (165,600)
		Rounded Value - After	\$ 1,754,300

After Income Capitalization Approach: The Appraiser analyzed the same market rentals and concluded the market rent of the subject property were reduced (Garage -15%, Gas -5%) as follows:

Before			After		
Market Rent Table			Market Rent Table		
Space Type	Rent/SF	Basis	Space Type	Rent/SF	Basis
Automotive Garage	\$20.00	NNN	Automotive Garage	\$17.00	NNN
Gas Station	\$150.00	NNN	Gas Station	\$142.50	NNN

Rental Income	Annual	Per	% of PGI
Automotive Repair Garage (3,534 SF at \$17.00/SF)	\$60,078	\$17.00	52.7%
Gas Station Kiosk (384 SF at \$140.16/SF)	\$53,821	\$140.16	47.3%
Total Rental Income	\$113,899	\$29.07	100.0%
Potential Gross Income	\$113,899	\$29.07	100.0%
Less Vacancy & Collection Loss (5.0%)	(\$5,695)	(\$1.45)	-5.0%
Effective Gross Income	\$108,204	\$27.62	95.0%
Operating Expenses	Annual	Per SF	% of EGI
Management Fees	\$3,246	\$0.83	3.0%
Replacement Reserve	\$980	\$0.25	0.9%
Total Expenses	\$4,226	\$1.08	3.9%
Net Operating Income	\$103,979	\$26.54	96.1%

Direct Capitalization Summary	
Net Operating Income	\$103,979
Divided By Overall Rate	7.50%
Capitalized Value Indication	\$1,386,384
Plus Adjustments	
Plus Excess Rent	\$84,000
Less Severance	
Less Taking Area Value	(\$33,900)
Less Site Improvements	(\$3,000)
Adjusted Value Indication	\$1,433,484
Rounded (\$365.88 per)	\$1,433,500

Reconciliation and Value Conclusion - After

Approach	Opinion of Market Value
Sales Comparison Approach - Land	\$636,800
Income Capitalization Approach – Building	\$1,433,500
Sales Comparison Approach Building	\$1,754,300
Conclusion of Market Value	\$1,513,700

Calculation of Permanent Damages

Item	Value
Before Valuation	\$1,716,200
After Valuation	\$1,513,700
Permanent Damages	\$202,500

RECOMMENDATION: Board approval of damages in the amount of \$202,500 is recommended for the following reasons:

1. The acquisition complies with Section 13a-73(c) of the CGS which governs the acquisition of property by the commissioner of transportation required for highway purposes.
2. The acquisition value is supported by the independent appraisal report.

5. ARCHITECT-ENGINEER - UNFINISHED BUSINESS

6. ARCHITECT-ENGINEER - NEW BUSINESS

7. OTHER BUSINESS

8. VOTES ON PRB FILE:

PRB FILE #21-191 – Mr. Halpert moved and Mr. Berger seconded a motion to approve PRB 21-191. The motion passed unanimously.

9. NEXT MEETING – Thursday, January 13, 2022.

The meeting adjourned.

APPROVED: _____ **Date:** _____
John Valengavich, Secretary